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For Immediate Release

5 TOP U.S. UTILITIES LAG IN CLIMATE CHANGE READINESS

Five of the largest U.S. utilities are unprepared for the economic risks of climate change, according to a new report by the 50/50 Climate Project and The Sustainable Investments Institute (Si2). **Duke Energy**, **Southern**, **FirstEnergy**, **DTE Energy** and **American Electric Power** are not pursuing business strategies consistent with the scientific realities of climate change and the accompanying financial, strategic, operational and competitive risks. The utilities also have not meaningfully accounted for key business implications or opportunities. Instead, these firms have focused on narrow legislative and regulatory climate affairs, while simultaneously working to thwart forward-looking policy and regulatory solutions via political involvement.

The report also observes a dearth of management incentives that would position the utilities to be more resilient and successful in the long term.

Investor support for greater climate risk planning at these utilities is at a tipping point, as evidenced by vote outcomes for shareholder resolutions on climate resiliency so far in 2017. On May 4, **46 percent** of investors voted in support of resolutions calling for enhanced reporting on long-term climate risk strategy at Duke Energy and at DTE Energy where the resolution received **45 percent** support. Upcoming votes on similar proposals occur at FirstEnergy on May 16 and at Southern on May 24.

"The report's findings amplify the growing recognition that climate change poses material economic risks but can also have a significant financial upside," said Edward Kamonjoh, the 50/50 Climate Project's executive director. "Investors expect corporate boards at utilities with elevated climate risk to transparently tackle climate change in their governance, director education and nomination processes. They also want better quality public disclosure and more robust stakeholder engagement."

Kamonjoh added, "The shareholder votes on climate risk reporting this spring are particularly important, as they demonstrate that investors are weighing in strongly using the shareholder proposal engagement mechanism. Yet the CHOICE Act now before Congress would make it virtually impossible to file resolutions, gutting a critical tool for gauging investor sentiment on consequential topics that has fostered constructive discourse between shareholders and the companies they own for decades."

"While federal energy policy is in flux, states are moving ahead with utility regulation transformation," said report author Sara E. Murphy. "This responds to major customers shifting their electricity purchasing strategies, at the same time that increasingly severe weather associated with climate change is affecting many parts of the country. Utilities that fail to adapt to these new realities will suffer, as will their investors."

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Notes

The 50/50 Climate Project is a not-for-profit resource and action center for institutional investors focused on engaging public company boards to respond more vigorously to the challenges and opportunities presented by climate change, and to accelerate boards' climate competency and capacity to transition to more sustainable business strategies. Additional information about the Project is available at www.5050climate.org.

The Sustainable Investments Institute (Si2), a non-profit research group, provides institutional investors with in-depth, impartial analysis of environmental and social policy shareholder resolutions at U.S. companies. It also conducts empirical research on emerging sustainability topics and corporate and investor responsibility issues. More about Si2 is at www.siinstitute.org.

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This comprehensive, 62-page study builds on work Si2 published in 2016 with the IRRC Institute, examining the climate change orientation of the 25 largest investor-owned utilities, allowing investors to make informed judgments. *The Top 25 U.S. Electric Utilities: Climate Change, Corporate Governance and Politics* evaluated companies and their boards using a standardized set of metrics designed by Si2 with input from investors, governance experts and utility economists. The project provided a comparative framework for investors concerned about climate and regulatory impacts on their portfolio companies.

This new study lets investors, companies and others dig deeper to further evaluate the climate change orientation of the top U.S. utilities that seem most challenged by climate risks and least oriented to transformation: Duke Energy, Southern, FirstEnergy, DTE Energy and American Electric Power. The report identifies five key elements that characterize viable transition plans, irrespective of regional and regulatory differences:

1. Acknowledge climate change and its exigencies
2. Commit to International Energy Agency targets for emissions intensity
3. Work transparently to reform obstructive regulation
4. Collaborate with stakeholders
5. Align incentives with transition goals

The study scrutinizes each of these elements and evaluates each utility's performance.

Download the full study here.

Si2 analysis of the 2017 shareholder resolutions at four of the five companies in this report also are available on Si2's website, providing updates on the information in the comparative report. Download from Si2's Reports page.