



OFFICE OF THE ILLINOIS STATE TREASURER MICHAEL W. FRERICHs

May 12, 2025

Southern Company Engagement Update

Over the past two years, the Office of the Illinois State Treasurer (“Treasurer”) conducted an engagement related to the executive compensation program of Southern Company (“Southern” or “Company”). After dialogue with the Company, the Treasurer filed a shareholder proposal at Southern in December 2023 that called for the Company to publish an analysis assessing the implications of using absolute or relative changes in total greenhouse gas (GHG) emissions as a component of senior executive compensation.

Southern incorporates decarbonization efforts in its long-term incentive program via its “GHG reduction goal”. The quantitative portion of the goal rewards cumulative changes in megawatts (MWs) over three-year performance periods, which are driven by two items: (1) adding zero-carbon and renewable energy MWs; and (2) placing coal or gas steam generation units in retirement status or inactive reserve. In response to stockholder feedback, the Compensation Committee also incorporated energy efficiency and load flexibility/demand response MWs into the quantitative GHG metric starting in 2024. The Treasurer filed the shareholder proposal in order to better be able to assess how the cumulative megawatt goal is tied to changes in the Company’s GHG emissions.

After the filing, the Treasurer successfully negotiated a withdrawal agreement of the proposal with the Company, in which Southern committed to conduct an analysis of carbon emissions and the carbon emissions rate as a function of generation capacity, weather, fuel price, and economic conditions (i.e. energy usage). Since then, Southern Company has conducted the assessment, met with the Office of the Illinois Treasurer to discuss the findings, and has made [the assessment results](#) public. As a result, investors are better able to assess how the cumulative megawatt changes used in the Company’s executive compensation program are tied to changes in GHG emissions.

The Treasurer appreciates the significant effort and thoughtful analysis that went into the assessment and looks forward to continued dialogue and collaboration with Southern Company.

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