



OFFICE OF THE ILLINOIS STATE TREASURER MICHAEL W. FRERICHS

June 3, 2024

Southern Company Engagement Update

This year, 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 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. 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. Southern committed to incorporating energy efficiency and demand response megawatts as part of the “GHG reduction goal” in the 2024-2026 performance period.¹ Southern also enhanced its disclosure in its 2024 proxy statement to demonstrate how its GHG emission reductions are linked to the megawatt changes used in its “GHG reduction goal” calculation.² Furthermore, 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). This analysis will produce GHG emission comparisons of the 2007, 2018, and 2023 capacity mix where all variables (weather, fuel price and energy usage) excluding the capacity mix are identical. This data will allow the Office of the Illinois Treasurer and other investors to isolate the impacts of changes in the capacity mix on Scope 1 emissions. As a result, investors will be 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 analysis will be made public prior to the Company’s publication of 2024 earnings.

The Treasurer looks forward to continued dialogue and collaboration with Southern Company.

¹ [https://www.southerncompanyannualmeeting.com/media/rfxju0un/2024%20Southern%20Company%20Proxy%20Statement%20\(WR\).pdf](https://www.southerncompanyannualmeeting.com/media/rfxju0un/2024%20Southern%20Company%20Proxy%20Statement%20(WR).pdf), page 69.

² [https://www.southerncompanyannualmeeting.com/media/rfxju0un/2024%20Southern%20Company%20Proxy%20Statement%20\(WR\).pdf](https://www.southerncompanyannualmeeting.com/media/rfxju0un/2024%20Southern%20Company%20Proxy%20Statement%20(WR).pdf), page 68.

State Capitol
Room 219
Springfield, IL 62706
Phone: (866) 458-7327
Fax: (217) 785-2777
TTY: (866) 877-6013

555 West Monroe Street
14th Floor
Chicago, IL 60661
Phone: (866) 458-7327
Fax: (312) 814-5930
TTY: (866) 877-6013

Marine Bank Building
1 East Old State Capitol Plaza
Springfield, IL 62701
Phone: (866) 458-7327
Fax: (217) 524-3822
TTY: (866) 877-6013