



September 11, 2019

Thomas A. Fanning  
Chairman, President and CEO  
The Southern Company  
30 Ivan Allen Junior Blvd Northwest  
Atlanta, GA 30308

Dear Mr. Fanning,

The signatories and supporting asset managers and owners, representing more than US \$6.5 trillion in assets, are writing to share our expectations on the topic of corporate lobbying on climate change and to request information about how The Southern Company ensures that its lobbying activities are consistent with the goals of the Paris Agreement on climate change. We look forward to dialogue on this important issue.

As investors, we view fulfillment of the Paris Agreement's goal—to hold the increase in the global average temperature to “well below” 2°C above preindustrial levels, and to pursue efforts to limit the temperature increase to 1.5°C— as an imperative. We are convinced that unabated climate change will negatively impact our clients, plan beneficiaries, and the value of our portfolios. The IPCC's report issued in October 2018 makes it clear there is still time to avert serious consequences, but expanded action must begin immediately.

As investors, we are accustomed to managing risk and measuring our performance in terms of risk-adjusted returns. Climate change presents a very different challenge, however. We have entered a realm of increasing risk and uncertainty. Traditional techniques for managing these risks to our portfolios will only take us so far. Similarly, corporate commitments to embrace energy efficiency and set greenhouse gas reduction goals are necessary and welcome, but to facilitate the deployment of capital at a necessary pace and scale, a strong public policy framework is needed.

Currently, there are critical gaps between the pledges and commitments national governments have made and the actions required to stave off the worst effects of climate change. Companies have an important and constructive role to play in enabling policy-makers to close the ‘ambition gap’ which would also contribute positively to the long-term value of our investment portfolios.

Accordingly, when evaluating your company's response to climate related risks and opportunities, we will consider the alignment of your lobbying activities with our shared goals for a stable climate.

Corporate lobbying activities that are inconsistent with meeting the goals of the Paris Agreement present several financial risks to investors:

- **Regulatory risks:** Delay in action now will likely result in the need for stronger and more drastic regulatory interventions later, leading to much higher costs for companies.
- **Systemic economic risks:** Delay in the implementation of the Paris Agreement increases the physical risks of climate change which elevates uncertainty and volatility in our portfolios and poses a systemic risk to global economic stability.
- **Reputational and legal risks:** Companies may face backlash from their consumers, investors or other stakeholders if they, or the organizations they support, are seen to be delaying or blocking effective climate policy.

We write to you today because companies have significant influence on climate and energy policies and we are concerned about lobbying activities that are inconsistent with addressing the risks posed by climate change. In particular we ask for a review of your own corporate lobbying activities as well as the trade associations and other politically active organizations of which you are a member that represent business interests but, unfortunately often lobby against public policy initiatives addressing the climate crisis. We understand these organizations do not always speak for all their members, and that it is not reasonable to expect full agreement on every issue. Climate change, however, is a unique challenge that requires alignment at all levels of an organization.

We therefore ask you to take the following steps:

1. Ensure your own lobbying practices and those of trade associations in which you are a member align with the Investor Expectations on Corporate Climate Lobbying described in the Appendix to this letter.
2. Review the lobbying positions taken by the organizations of which you are a member.
3. If these lobbying activities are inconsistent with the goals of the Paris Agreement, we encourage you to engage the organization to ensure its positions are updated. If the organization is unwilling or unable to demonstrate alignment with the Paris Agreement, consider taking the steps necessary to disassociate your company from these policies.

We are pleased to report that a dozen European companies have already committed to these steps.

Thank you for your consideration of the Investor Expectations on Corporate Climate Lobbying. We look forward to seeing greater transparency from your company on these issues. Our goal is to assess company progress using the enclosed Investor Expectations as guiding standards. We ask that you make public by November 8, 2019, the steps that The Southern Company has taken or will take to align with these Expectations.

Please confirm receipt of this letter by emailing Rob Berridge @ [berridge@ceres.org](mailto:berridge@ceres.org). An investor will follow up with your organization on the details of this request as part of the Climate Action 100+ engagement agenda.

Sincerely,



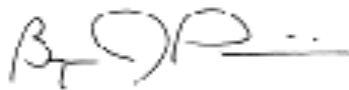
Adam M. Kanzer  
Head of Stewardship - Americas

**BNP Paribas Asset Management**



Simiso Nzima  
Investment Director – Global Equity /  
Head of Corporate Governance

**CalPERS**



Bryan J. Pini, President & Chief  
Investment Officer

**Mercy Investment Services**



Thomas P. DiNapoli  
New York State Comptroller

**New York State Common Retirement  
Fund**



William Apfel, Executive Managing  
Director

**Boston Trust Walden Company**



Kirsty Jenkinson  
Director of Sustainable Investment &  
Stewardship Strategies

**CalSTRS**



Scott Stringer  
New York City Comptroller

**New York City Comptroller's Office**



David H. Zellner, Chief Investment  
Officer

**Wespath Benefits & Investments**

This request is supported by the following investors who have asked to be kept informed of company responses to this request.

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**Investment Managers and Mutual Funds**

ACTIAM  
Addenda Capital  
AGF Investments  
Arjuna Capital  
Australian Ethical Investment  
BMO Global Asset Management  
Boston Common Asset Management  
Calvert Research and Management  
CANDRIAM  
CCLA  
CleanCapital  
ClearBridge Investments  
Common Interests  
Dana Investment Advisors  
Degroof Petercam  
Devon Funds Management  
Domini Impact Investments LLC  
Ecofi Investissements  
Figure 8 Investment Strategies  
First Affirmative Financial Network  
Folksam  
Friends Fiduciary Corporation  
GESTION Férique  
Green Century Capital Management  
Harrington Investments, Inc.  
Hermes Investment Management  
Impact Investors  
Inherent Group  
Jantz Management LLC  
Legal & General Investment Management  
LocalTapiola Asset Management Ltd  
Maitri Asset Management  
Miller/Howard Investments, Inc.  
MFS Investment Management  
Natural Investments  
NEI Investments  
Newground Social Investment  
Nia Impact Capital  
NN Investment Partners  
NorthStar Asset Management, Inc.  
Öhman  
Oneida Nation - Oneida Trust Enrollment Committee  
Pax World Funds  
Plato Investment Management Limited  
Quantum Financial Planning LLC  
Rathbone Greenbank Investments

**Pension Funds**

AP2  
AP3 Third Swedish National Pension Fund  
AP4 (Fourth Swedish National Pension Fund)  
AP7  
AustralianSuper  
Avera Health  
Bâtirente  
Bayerische Versorgungskammer  
British Columbia Investment Management Corporation (BCI)  
Cbus Super  
Connecticut Retirement Plans and Trust Funds  
Environment Agency Pension Fund  
Första AP-fonden (AP1)  
Illinois State Treasurer's Office  
MN  
MP Pension  
National Employment Savings Trust (NEST) P+ (DIP/JOEP)  
RÉGIME DE RETRAITE DE L'UNIVERSITÉ DE MONTRÉAL  
RPMI Railpen  
San Francisco Employees' Retirement System (SFERS)  
Seattle City Employees' Retirement System  
The AP Funds' Council on Ethics  
USS - Universities Superannuation Scheme  
Vermont Pension Investment Committee  
Washington State Investment Board

Reynders, McVeigh Capital Management  
LLC  
Robeco  
RRSE (Regroupement pour la  
Responsabilité Sociale des Entreprises)  
Sarasin & Partners  
SharePower Responsible Investing  
Skandia  
Skye Advisors LLC  
SRI Investing LLC  
Stance Capital, LLC  
Sustainable Insight Capital Management  
Terra Alpha Investments  
The Sustainability Group of Loring, Wolcott  
& Coolidge  
Trillium Asset Management  
Vert Asset Management  
Vision Super Pty Ltd  
Wetherby Asset Management  
Zevin Asset Management

### **Faith-Based Investors**

Adrian Dominican Sisters, Portfolio  
Advisory Board  
Christian Brothers Investment Services  
Church Commissioners for England  
Church of England Pensions Board  
Committee on Mission Responsibility  
Through Investment of the Presbyterian  
Church U.S.A.  
Congregation of Sisters of St. Agnes  
Congregation of St. Joseph  
Daughters of Charity, Province of St. Louise  
Domestic & Foreign Missionary Society  
(The Episcopal Church)  
Dominican Sisters ~ Grand Rapids  
Dominican Sisters of Hope  
Everence and the Praxis Mutual Funds  
Interfaith Center on Corporate  
Responsibility  
Jesuit Committee on Investment  
Responsibility  
JLens Investor Network  
Leadership Team - Felician Sisters of North  
America  
Maryknoll Sisters  
Northwest Coalition for Responsible  
Investment  
Oblate International Pastoral Investment  
Trust  
Priests of the Sacred Heart, US Province  
Region VI Coalition for Responsible  
Investment

### **Foundations**

444 S Foundation  
Christopher Reynolds Foundation  
Community Foundation of Eastern  
Connecticut  
Green America  
Gwen Noyes  
Park Foundation Inc.  
Sant Foundation  
School Sisters of St. Francis  
Skoll Foundation  
The Educational Foundation of America  
(EFA)  
The Needmor Fund  
The Summit Foundation  
Tides Foundation  
Wallace Global Fund

School Sisters of Notre Dame Cooperative  
 Investment Fund  
 Sisters of Charity of Nazareth  
 Sisters of Charity, Halifax  
 Sisters of Mary Reparatrix  
 Sisters of Saint Joseph of Chestnut Hill,  
 Philadelphia, PA  
 Sisters of ST. Dominic of Caldwell NJ  
 Sisters of St. Francis Charitable Trust,  
 Dubuque  
 Sisters of St. Francis of Philadelphia  
 Sisters of St. Joseph of Boston  
 Sisters of the Humility of Mary  
 Sisters of the Presentation of the BVM of  
 Aberdeen SD  
 Socially Responsible Investment Coalition  
 Tri-State Coalition for Responsible  
 Investment  
 Trinity Health  
 U.S Missionary Oblates of Mary  
 Immaculate  
 United Church Funds  
 Ursuline Sisters of Tildonk, U.S. Province  
 Ursuline Sisters of Toledo

#### **Engagement Service Providers**

Aequo, Shareholder Engagement Services  
 As You Sow  
 Hermes EOS  
 Local Authority Pension Fund Forum  
 Seventh Generation Interfaith Inc.  
 Shareholder Association for Research and  
 Education  
 Veris Wealth Partners

#### **Ethos Foundation, Switzerland & Members**

Aargauische Pensionskasse (APK),  
 Switzerland  
 Bernische Lehrerversicherungskasse,  
 Switzerland  
 Bernische Pensionskasse BPK, Switzerland  
 Caisse de pension des sociétés Hewlett-  
 Packard en Suisse, Switzerland  
 Caisse de pensions de l'Etat de Vaud  
 (CPEV), Switzerland  
 Caisse de pensions ECA-RP, Switzerland  
 Caisse de prév. des Fonctionnaires de  
 Police & des Etablissements  
 Pénitentiaires, Switzerland  
 Caisse de Prévoyance de l'Etat de Genève  
 (CEPG), Switzerland  
 Caisse de Prévoyance des Interprètes de  
 Conférence (CPIC), Switzerland  
 Caisse de prévoyance du personnel de  
 l'Etat du Valais (CPVAL), Switzerland  
 Caisse intercommunale de pensions (CIP),  
 Switzerland  
 Caisse paritaire de prévoyance de l'industrie  
 et de la construction (CPPIC),  
 Switzerland  
 CAP Prévoyance, Switzerland  
 CCAP Caisse Cantonale d'Assurance  
 Populaire, Switzerland

CIEPP - Caisse Inter-Entreprises de  
Prévoyance Professionnelle, Switzerland  
Etablissement Cantonal d'Assurance (ECA  
VAUD), Switzerland  
Fondation de la métallurgie vaudoise du  
bâtiment (FMVB), Switzerland  
Fondation de prévoyance Artes &  
Comoedia, Switzerland  
Fondation de prévoyance du Groupe BNP  
PARIBAS en Suisse, Switzerland  
Fondation Leenaards, Switzerland  
Fonds de Prévoyance de CA Indosuez  
(Suisse) SA, Switzerland  
Nest Sammelstiftung, Switzerland  
Pensionskasse Bank CIC (Schweiz),  
Switzerland  
Pensionskasse Basel-Stadt, Switzerland  
Pensionskasse Bühler AG Uzwil,  
Switzerland  
Pensionskasse Caritas, Switzerland  
Pensionskasse der Stadt Winterthur,  
Switzerland  
Pensionskasse Pro Infirmis, Switzerland  
Pensionskasse Römisch-katholische  
Landeskirche des Kantons Luzern,  
Switzerland  
Pensionskasse SRG SSR, Switzerland  
Pensionskasse Stadt Luzern, Switzerland  
Pensionskasse Unia, Switzerland  
Prévoyance Santé Valais (PRESV),  
Switzerland  
prévoyance.ne, Switzerland  
Profelia Fondation de prévoyance,  
Switzerland  
Prosperita Stiftung für die berufliche  
Vorsorge, Switzerland  
Retraites Populaires, Switzerland  
Secunda Sammelstiftung, Switzerland  
St. Galler Pensionskasse, Switzerland  
Stiftung Abendrot, Switzerland  
Terre des hommes, Switzerland  
Université de Genève (UNIGE), Switzerland

# INVESTOR EXPECTATIONS ON CORPORATE LOBBYING ON CLIMATE CHANGE

September 2019

## Introduction:

1. Recognizing positive steps taken and commitments made by companies like Shell, BP and Anglo-American to meet investor expectations on corporate lobbying on climate change, these expectations have drawn from previous work by the IIGCC, PRI, and other European investors and are updated to reflect recent developments following engagement with companies<sup>1</sup>.
2. The expectations follow an engagement programme jointly led by AP7, BNP Paribas Asset Management and the Church of England Pensions Board in Europe.

## The Goal:

3. **Concerned investors are initiating a dedicated engagement program to address corporate climate lobbying and lobbying by trade associations to ensure alignment with Articles 2.1(a) and 4.1 of the Paris Agreement.**

***Our goal is to expand focus on the issue of corporate climate lobbying and drive improved corporate behavior in a concerted manner before the next major UN climate negotiations in 2020.***

## INVESTOR EXPECTATIONS:

Our expectation is that when companies engage with public policy makers, they will support cost-effective policy measures to mitigate climate change risks and support an orderly transition to a low carbon economy. We believe that companies should be consistent in their policy engagement in all geographic regions and that they should ensure any engagement conducted on their behalf or with their support is aligned with an interest in a safe climate, in turn protecting the long-term value in our portfolios across all sectors and asset classes. The following expectations are informed by the Principles for Responsible Investment report into corporate lobbying, as well as recent engagements on the issue, and the Global Reporting Initiative's Standards for Public Policy Reports.

### INVESTOR PRINCIPLES ON LOBBYING:

*As long-term institutional investors, we expect those companies that engage with policy makers directly or indirectly through trade associations, lobbying organizations described as charitable organizations that include policy advocacy, or think-tanks **taking positions on climate change-related** issues to:*

#### I. Lobby Positively in Line with the Paris Agreement

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<sup>1</sup> See PRI (2018) *Converging on climate lobbying: Aligning corporate lobbying with investor expectations*. Available online at: <https://www.unpri.org/climate-change/converging-on-climate-lobbying-aligning-corporate-practice-with-investor-expectations-/3174.article?adredir=1>



Support and lobby for effective measures across all areas of public policy that aim to mitigate climate change risks and limit temperature rise to well below 2 degrees Celsius. This support should apply to all engagement conducted by the company in all geographic regions, and to policy engagement conducted indirectly via third party organizations acting on the company's behalf or with the company's financial support.

## **ii. Establish Robust Governance Procedures**

Establish robust governance processes to ensure that all direct and indirect public policy engagement supported by the company is aligned with the company's climate change commitments and supports appropriate policy measures to mitigate climate risks. We expect companies to establish a clear framework that has:

- **Board oversight:** Ensuring accountability by assigning responsibility for governance at board and senior management level.
- **Monitoring and Review:** Establishing processes for monitoring and reviewing climate policy engagement, including identifying all climate change policy engagement being conducted by the company either directly or indirectly, across all geographic regions.
- **Consistency:** Establishing a transparent process to ensure consistency between the company's public policy positions and its direct and indirect engagement with climate policy, including through third parties. This process should include an assessment of the company's working relationships with third party organizations, and define actions to be taken where material differences have been identified to ensure alignment.

## **iii. Act When Unaligned**

Act in situations where policy engagement is not aligned with company policy, or with the goals of the Paris Agreement. For engagement undertaken on the company's behalf or with its financial support by third party organisations, actions could include:

- Making clear public statements where there is a material difference between the company and third-party organization's position;
- Working within the organization to make the case for constructive engagement;
- Requiring the organization to stop lobbying on issues where there is not alignment amongst all members;
- Discontinuing membership or support for the organization; and
- Forming proactive coalitions to counter the organization's lobbying.

## **iv. Be Transparent**

The governance framework established under principle II should be disclosed to ensure investor and public confidence in the practice and processes of the company. Actions undertaken in accordance with principle III should also be made public. Appropriate reporting could include details of:

- The company's position on climate change and policies to mitigate climate risks;
- The company's direct and indirect lobbying on climate change policies;
- The company's membership in, or support for, third party organisations that engage on climate change issues (including political organisations);

- The specific climate change policy positions adopted by these third-party organizations, including discussion of whether these align with the company's climate change policies and positions; and
- The assessment that the company has made of the material impact of lobbying by the organization taking a contrary position to the public position of the company.