



**Remarks by Connecticut Treasurer Denise L. Nappier
Clean Air, Cool Planet Conference
Climate Solutions for the Northeast**

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Hartford, Connecticut

On behalf of the State of Connecticut, I'd like to welcome all of you to Hartford – my hometown. I hope you can find some time in the next few days to get out of the hotel and enjoy our capital city and all it has to offer. And by all means, please spend some of your money. It would be good for the health of Connecticut's economy.

Speaking of health, I want to congratulate **Clean Air, Cool Planet**, the **Connecticut Clean Energy Fund**, and everyone involved for doing such a terrific job in putting together this very important conference... a conference that is all about the health of our environment, which from my perspective is linked inextricably to the health of our economy and society as a whole.

As many of us know, the consequences of climate change have the potential to fundamentally alter the economic as well as the social, ecological, and health systems we too often take for granted.

In fact, I don't have to tell any of you about the impact climate change can specifically have on Connecticut, New England and the northeast region of our country. We know of the projections of the sea-level rising impact on the Connecticut coast, the potential for increased incidences of Lyme disease and other health issues, the changes in the character of Connecticut and other New England State's forests, and the impact on wildlife. We also know of the potential for impact on the maple syrup crop, and skiing and other winter sports that are crucial to New England's tourist industry and its overall economy.

So, why am I here today and why should a state treasurer be so concerned?

Well, I am here because as the principal fiduciary of a \$17 billion public pension fund, the Connecticut Retirement Plans and Trust Funds, it is my fiduciary duty to protect and grow the retirement savings of more than 160,000 beneficiaries and plan participants.

And in my view, that responsibility requires me to speak up to make certain that the companies in which we invest our funds are doing what they must do to protect our investments.

We all learned a very painful but very valuable lesson from the collapse of Enron and the corporate scandals that followed. We must hold companies accountable, we must actively engage them in debate on critical issues of corporate governance and disclosure, and we must raise our voices and insist on information that is vital to our decision-making as investors.

I firmly believe that one of the key ingredients that led to the corporate scandals of the recent past was the failure to employ adequate checks and balances within our capital system ... the failure to fully assess risk and insist upon full disclosure so that investors could make informed judgments.

You know, there were very few voices in the wilderness when stock prices were soaring... there were very few of us speaking up on such matters as excessive executive compensation, board composition and independence, conflicts of interest in corporate accounting practices and the like. Now that we have seen a collapse in investor confidence, everyone is jumping on the corporate governance train.

Well, I believe that before the train jumps the track again the investor community needs to hold corporations accountable for their behavior in addressing sustainable governance issues such as the environment and the impact that climate change can and will have.

In fact, a report by the Rose Foundation last year, *"The Environmental Fiduciary"*, which reviewed the findings of a number of studies, concluded that... and I quote... "In many cases improving environmental performance provides a measurable boost to profitability and shareholder value, especially over the long term."

From the standpoint of institutional investors who invest for the long term, the issue is clear: Climate change will impact the value of our portfolios.

There is a growing consensus that within the foreseeable future we will see a shift away from voluntary action to some form of mandatory federal controls on the emission of carbon. The McCain-Lieberman bill, now pending in Congress, is one example.

There can be little doubt that when government regulation kicks in, the economic impact on the companies in the affected industries will be quite prevalent. So, the days of putting ones corporate head in the sand and waiting for the issue to pass are coming to an end. Just as it is now the standard that external auditors of corporations be truly independent, I believe the investment community will insist that corporations evaluate and disclose the risks associated with climate change.

For us in the Connecticut Treasury, the future is now.

Connecticut, this year, sponsored a resolution asking American Electric Power, the largest emitter of CO₂, to report on the future financial impact that issues related to climate change will have on the company. We also co-sponsored a similar resolution at Exxon Mobil, the world's largest oil company, and at Cummins, the largest maker of diesel engines in the U.S. Cummins subsequently agreed to work with us, as well as others, in developing a mechanism for reporting the impact and risk of climate change.

Despite the opposition of corporate leadership, at the AEP meeting two weeks ago, our resolution received the support of 27% of shareholders voting. While some people may say 27% is not even close to a majority vote, I believe this vote is both extraordinary and virtually unprecedented. And I should add that an article in the *Wall Street Journal* reporting on the shareholder vote, characterized the result in similar fashion.

The vote at AEP means that the owners of 27% of AEP'S shares not only believe that climate change is a significant problem, but also that they want this company to report to shareholders on the risks and what is being done about it. This tells me that there is significant – and increasing -- investor concern about the impact that climate change could have on our nation's economy.

Much more can and should be done, and, in my view, our nation's institutional investors are in a position to lead the effort. Together, we invest tens of trillions of dollars in the capital markets. If we work together, we can have a significant impact on how corporations respond to the risks of climate change.

- We need to discuss why companies are not disclosing the details of climate risk to shareholders, and how to get them to do so.

- We need to understand the role of government policy, where that policy is helping, and where it is creating barriers to action that could, in turn, hurt the long-term value of our portfolio companies.
- And we need to develop strategies to get financial analysts and portfolio managers to look more closely at these long-term risks, and whether companies are working to mitigate these risks to investors.

To answer those and other questions, exchange views, examine alternatives, discuss priorities and develop strategies, I announced last month that I would convene an **Institutional Investors Summit on Climate Risk** later this year. The goal for this summit, at its core, is basic -- to develop strategies for institutional investors to protect the long-term value of their portfolios in light of the potential risks of climate change.

You know, there is strength in numbers and we have a number of strengths. We need to highlight those strengths, use them wisely, and marshal our forces to preserve our economic future and the health of our planet and its people.

I know you share that goal and that commitment, and I wish you well here in Hartford this week.