

Date

Name

Address

Dear ,

We write to you as investors that believe climate change poses significant risks to companies. For companies and their investors, it is important to understand the nature of those risks so that investors can take steps to manage the risks, or adapt to them, and to price those risks properly in investment portfolios.

Scientific research is increasingly showing that severe precipitation, floods, fires, droughts, sea level rise, extreme heat, and the spread of tropical diseases and pests to temperate zones are predictably linked to a warming climate. These changes pose risks not only to companies, but their investors, financial markets and the global economy. Already, we have seen that the costs associated with weather events have quadrupled (adjusted for inflation) since 1980 with over 10 weather/climate disaster events in the United States with losses exceeding \$1 billion each in 2020 alone.¹ These events include droughts, floods, severe storms, tropical cyclones, and wildfire. In addition, sea level rise is expected to be between 1 and 2 meters this century, and even at the low end this estimate could affect the businesses and homes of 230 million people, even without the added impact of storm surges.²

Investor concern about climate risks is growing rapidly. A new study from investment consultant Mercer³ documents that 54% of European investors were concerned about the risks posed by climate change in 2020, compared with 14% last year. Various studies show that assets at risk as a result of climate change range into the trillions of dollars.⁴

Climate change poses several types of risk. Transition risks—regulatory risk, the risk of litigation, reputational risks, and possible losses of competitiveness as the world moves closer to a low-carbon economy—often fall most heavily on the largest emitters. Physical risks, however, can happen to any enterprise, and depend not on emissions but on where the company operates, and where the major assets are in its value chain. S&P Global recently estimated that 60% of S&P 500 Index companies' own

¹ NOAA, "Billion-Dollar Weather and Climate Disasters: Overview," <https://www.ncdc.noaa.gov/billions/>.

² Scott A. Kulp and Benjamin H. Strauss, "New elevation data triple estimates of global vulnerability to sea-level rise and coastal flooding," *Nature Communications*, 12 December 2019.

³ Mercer, "Investing in the Future: European Asset Allocation Insights 2020," <https://www.mercer.com/content/dam/mercer/attachments/private/glbl-2020-eaas-2020-final-secured.pdf>.

⁴ See, for example, Federal Reserve Bank of Richmond, "Temperature and Growth: A Panel Analysis of the United States," WP 18-09, 2018, https://www.richmondfed.org/-/media/richmondfedorg/publications/research/working_papers/2018/pdf/wp18-09.pdf?pwm=7047; OECD, "The Economic Consequences of Climate Change," November 3, 2015, https://www.richmondfed.org/-/media/richmondfedorg/publications/research/working_papers/2018/pdf/wp18-09.pdf?pwm=7047, and Simon Dietz, Alex Bowen, Charlie Dixon and Philip Gradwell, 'Climate value at risk' of global financial assets, *Nature Climate Change*, 4 April 2016, <https://www.nature.com/articles/nclimate2972>.

physical assets that face high risk of at least one kind of climate-related physical losses. This represents a total market capitalization of \$18 trillion dollars in the United States alone.⁵ This is why investors need more precise physical location data from companies than most now provide.

We are writing to ask that your company disclose the specific location of any assets whose loss or impairment would represent a material loss to the company. While companies often describe high-level geographical information about the locations of their assets such as states, regions or countries, there are significant differences in the risks climate change poses within these broad geographies. For example, a company with a major manufacturing facility in a flat coastal location is far more vulnerable to both coastal cyclones and sea level rise than the same facility sited hundreds of feet above sea level. Without precise information—either a street address or, even better, latitude and longitude of significant assets—investors’ only recourse is to assign physical risk estimates to companies based on wider geographies. This is almost certain to result in an overestimate of the physical risk the company actually faces, because, in the face of uncertainty and the growing risks of climate change, investors must assume that risks apply.

We request that your company disclose to investors a list of street addresses, or latitudes and longitudes, of all assets whose loss or impairment would materially affect financial results. This will help both your company and its investors prepare for, manage, adapt to and price these risks more accurately.

If you wish to discuss this, you are welcome to contact Julie Gorte, j.gorte@impaxam, (603) 501-7353, or Eri Yamaguchi, eyamaguchi@osc.ny.gov, 212-383-7242. Thank you for your attention to this matter.

Sincerely,

Julie Fox Gorte

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⁵ S&P Global, The Big Picture on Climate Risk. 2020, <https://www.spglobal.com/en/research-insights/featured/the-big-picture-on-climate-risk>.