

OPEN LETTER TO US POLICYMAKERS ON TACKLING THE CLIMATE CRISIS

Our organizations whose members include hundreds of institutional investors in the U.S with tens of trillions of assets under management are committed to meeting the challenges and opportunities posed by the global climate crisis. During the necessarily rapid transition to a net-zero emissions economy now underway, investors seek to make sound investments and to develop equitable and enduring solutions in partnership with governments, the private sector, labor unions and civil society organizations.

We warmly welcome the Biden administration's executive orders to restore environmental protections, along with its decision to put the U.S. back in the Paris Agreement. We support an ambitious and attainable U.S. Nationally Determined Contribution (NDC) of 50 percent reduction of emissions by 2030 using a 2005 baseline. Meeting this standard will do much to ensure a smooth transition to net-zero emissions by 2050 or sooner, which will in turn help limit global average temperature rise to 1.5-degrees Celsius.

We urge the U.S. Congress to promptly enact an ambitious legislative package that will enable the country to "Build Back Better." This must include funding for sustainable infrastructure, as well as measures to promote clean energy jobs and improve corporate climate disclosure and prudential bank supervision. Congress must also act to sharply reduce greenhouse gas emissions and regulate carbon pollution, while supporting the most vulnerable communities and communities of color in the transition to net-zero. Such steps will go a long way toward restoring U.S. climate leadership in the world.

The economic and financial impacts of the climate crisis are growing more acute and widespread. Climate change has been identified by the Federal Reserve as a systemic risk to the stability of the U.S. financial system. We support mandatory climate risk disclosures in order to inform and protect investments and drive fundamental change in the real economy.

Climate change does not only involve loss and disruption. It also offers tremendous growth opportunities, as the Biden administration and many economists have highlighted.¹ We have an historic opportunity through the forthcoming infrastructure legislation to make massive investments in clean energy, known to be a powerful catalyst for job creation. We ask policymakers to send durable signals to ensure healthier and more equitable working conditions, while building on the economic and environmental progress achieved during the past 50 years.

Taking bold and effective action at home will also enable the Biden administration to rally other countries in the run-up to the United Nations climate summit (COP26) in November. It is critical to our national security and economic competitiveness that we lead and support global climate mitigation and adaptation efforts.

¹ <https://www.bls.gov/ooh/fastest-growing.htm>

Relying on science and sound economics, we are calling for a new approach to investable and sustainable U.S. climate policy that puts priority on the well-being of our planet and on the health and prosperity of all people now and in future generations.

Our recommendations include:

Launch a large-scale clean energy infrastructure program. With millions struggling due to job losses triggered by the pandemic, it is essential to implement recovery plans immediately. These large-scale efforts will most effectively stimulate job creation and enhanced environmental impact if aligned with a net-zero energy infrastructure program. The many ways to shape and promote such a program include:

- Developing granular 5-, 10- and 15-year clean infrastructure plans;
- Establishing 2025 renewable energy targets in line with the Biden plan² for 100 percent clean electricity by 2035;
- Encouraging existing authorities to make immediate shifts to renewable technologies.

Therefore, we encourage Congress to invest in a full range of solutions needed to address the climate crisis and position America as the global leader in clean energy infrastructure.

Implement mandatory climate risk disclosure and require prudential bank supervision. The U.S. financial system will play a significant role in the realization of the nation's climate goals. Understanding the risks and opportunities companies and sectors are facing as a result of the climate crisis will be vital to steering our investment response. Implementing mandatory disclosure requirements aligned with the Task Force for Climate-related Financial Disclosures will ensure access to information essential to support efficient financial markets and an orderly transition to a net-zero economy. We are also calling on bank regulators to implement supervisory actions that address climate risks by means of stress tests, scenario analysis, further training of bank examiners and other steps.

Implement domestic policies to meet net-zero targets and incentivize private investments in key sectors. We support a robust carbon pricing policy, backstopped by a Federal Clean Energy Standard and the removal of fossil fuel subsidies. We also urge the phase-out of thermal coal-based electricity generation, the avoidance of new carbon-intensive infrastructure, and the development of just transition plans for affected workers and communities.

Advance environmental justice and a just transition to a net-zero economy. Systemic racism has led to disproportionate harms and burdens on communities that already do not have equitable access to resources. As the incidence of severe weather events increases and the effects of climate change worsen, the failures of the U.S. energy infrastructure will predominantly impact marginalized groups in terms of cost, access, and equity. We call on policymakers to ensure the impacts on communities and workers both at a project-level and in supply chains are fully accounted for to ensure a just transition to a net-zero carbon economy. We endorse efforts that will take full account of climate change's impacts on all stakeholders in our society.

As investors seek to manage the risks and capitalize on the opportunities in the transition to a net-zero economy, we aim to leverage investments to create enduring value for the full range of stakeholders. To that end, our groups will work with investors to advocate for policies that move the U.S. and world toward a just and prosperous future and we look forward to working with you. We trust the U.S. will

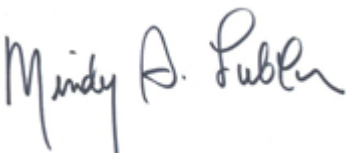
² <https://joebiden.com/climate-plan/> The Biden Plan for a Clean Energy Revolution and Environmental Justice

encourage and support governments worldwide in implementing ambitious net-zero commitments ahead of COP26 and stand ready to support these efforts.

Sincerely,



Paul Simpson
CEO, CDP



Mindy S. Lubber
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Fiona Reynolds
CEO, Principles for Responsible Investment