Divest testimony, May 26, 2020

My name is Richard Lawton, and I'm the Executive Director of the NJ Sustainable Business Council which is a growing network of triple bottom line companies and business organizations that are redefining success to include not just financial performance, but also social and environmental impact. Our mission is to advance market innovation and policy change to create a more vibrant, sustainable and equitable economy.

On a personal note, my wife has been a NJ public school teacher for over 21 years, so this issue has a direct impact on my family. After a 30 year career serving in a number of executive positions for Fortune 500 companies, I earned an MBA in Sustainability, became a Governance Fellow with the Natl Assoc. of Corp. Directors, and am currently a Lead NJ Fellow in the 2020 cohort.

NJSBC is a member of the Divest NJ coalition because we believe that divesting our pension funds from fossil fuel companies is an increasing imperative for 2 compelling reasons:

1. To reconcile an increasing degree of what I guess you could call "policy dissonance." N.J. has set a clear policy course to decarbonize its economy with the goal of reaching 100% clean energy by 2050. With the public good in mind, our executive and legislative branches have established policies, laws and regulations all with this goal in mind, such as:
    - The Global Warming Response Act
    - The Clean Energy Act
    - The updated Energy Master Plan
    - Re-entering RGGI and using the funds to invest in clean energy-related programs.
    - The newly passed Electric Vehicle law
    - Committing to developing 7,500 MW of offshore wind.

Continuing to invest pension funds in fossil fuel companies stands in stark contrast to these coordinated policy strategies. While these policies are based on the common good, fossil fuel companies maximize their profits by systematically externalizing their costs, with some of the largest companies funding disinformation campaigns reminiscent of the tobacco industry's tactics. – in direct conflict with the public good.

Given the complexity of our intertwined energy, economic and social systems and infrastructure, this transition will take time. However, financial capital can and does move quickly. We should align our pension investments and real assets portfolio with our policy goals and strategy without any further delay.

2. The second main reason to divest is to uphold your fiduciary responsibility, which includes risk oversight. As evidenced by our current crisis, continuing to hold fossil fuel

investments is increasingly and unnecessarily risky and irresponsible given several clear trends:

- Fossil fuel companies have contributed to, and benefited from a market failure that is now being remedied from a combination of market-driven innovation and bold policy interventions. Their days of rent seeking behavior are numbered, along with the artificially inflated value of their assets.
- People, in their roles as citizens and consumers, are demanding clean energy and a clean environment as a basic human right.
- Institutional investors like Black Rock have acknowledged these developments and are adapting accordingly to prioritize climate risk and sustainability as key investment criteria.
- The increasing level of adoption of ESG, impact investing, stakeholder governance, the UN's sustainable development goals, and Climate-related financial disclosures all signal a fundamental shift that will leave fossil fuel companies, their investors and, unfortunately, NJ's pensioners behind if we don't adapt quickly enough.

Thank you for your consideration.