The Southern Company [NYSE:SO]: Due to the company’s FAILURE to:

- Include its scope 3 greenhouse gas (GHG) emissions in its net zero by 2050 and medium-term targets,
- Align its operating and planned coal and fossil gas-fueled generation capacity with a Below 2°C Scenario or a 1.5°C scenario, and
- Commit to ensuring its lobbying and that of its member trade associations are in accord with the Paris Agreement;

Vote AGAINST:

- Thomas A. Fanning, Executive Chairman, (Item 1d),
- David J. Grain, Lead Independent Director, (Item 1e), and
- Dale E. Klein, Operations, Environmental and Safety Committee Chair, (Item 1i).

The physical and financial risks posed by climate change to long-term investors are systemic, portfolio-wide, unhedgeable, and undiversifiable. Therefore, the actions of companies that fail to align to limiting warming to 1.5°C pose risks to the financial system as a whole, and to investors’ entire portfolios. See www.proxyvoting.majorityaction.us for more information regarding Majority Action’s Proxy Voting for a 1.5°C World initiative and the transformation required in key industries.

The Southern Company (Southern) had the third-most CO$_2$ emissions (CO$_2$ million ton) among U.S.-based electric power producers in 2020, while generating the fourth-most electricity. In 2022 Southern relied on fossil fuel generation sources for 73% of its electricity production. The company is among the 166 target companies named by Climate Action 100+ as the most significant global emitters and “key to driving the global net zero emissions transition.”

Electric power production is responsible for nearly one-third of energy-related carbon emissions in the United States. The largest publicly traded electric utilities remain among the largest sources of carbon emissions in the U.S. economy. Their capital investments in fossil fuel-based electric power infrastructure have the potential to lock in GHG emissions for decades to come. In addition to curbing a direct source of emissions, the decarbonization of electricity production also enables the
Decarbonization of the transportation and industrial sectors as electrification efficiencies are implemented.

Failure to set ambitious decarbonization targets in line with 1.5°C pathways, and to align companies’ business plans and policy influence to those targets, is a failure of strategy and corporate governance, for which long-term investors should hold directors accountable. At companies where the production, processing, sale, and/or consumption of fossil fuels is central to their core business, GHG emissions reductions have profound strategic implications. The board chair, independent lead director where the position exists, and other board members with climate-related oversight responsibilities should be held accountable for oversight failures related to decarbonization.

In 2023, we have updated our metrics to more closely align with the Climate Action 100+ Net Zero Benchmark Indicators, while still focusing on the core pillars of target setting, disclosure and measurement, capital allocation, and policy influence. This allows for a more standardized assessment across companies that is broadly accepted by investors.

### Target setting

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Southern’s emissions reduction targets include a 50% reduction in company-wide scope 1 GHG emissions by 2030, from a 2007 baseline, on the way to net zero GHG by 2050.\textsuperscript{7} As of 2022, Southern has decreased its company-wide scope 1 GHG emissions by 46% and projects to consistently achieve a 50% reduction by 2025. Southern has yet to set a more ambitious interim target that would align with net zero milestones,\textsuperscript{8} despite knowing it will reach its 2030 emissions reduction goal five years ahead of schedule. Southern exceeded its 2030 emissions reduction target in 2020 when its GHG emissions dropped 52% from its benchmark levels.\textsuperscript{9} However, the following year, the company’s GHG emissions reduction declined below the 50% benchmark, primarily due to a reversal of demand from mild weather and the COVID-19 pandemic.\textsuperscript{10} Based on its 2030 emissions reduction target, Southern’s projected 2030 carbon intensity (metric tonnes of CO2 per MWh electricity generation) is 0.41, well above the 0.07 required for alignment with the 1.5°C pathway.\textsuperscript{11}

Though scope 3 emissions comprised 30% of Southern’s total GHG emissions in 2021,\textsuperscript{12} the company has not established targets for reducing these emissions.\textsuperscript{13} The company’s most relevant scope 3 emissions include emissions associated with upstream fuel, power purchased for resale, and customers’ use of fossil gas.\textsuperscript{14} Southern does not disclose how the actions that it has taken to “driving reductions across the value chain” have equated to actual scope 3 emission reductions.\textsuperscript{15} Southern continues to lag behind its peers, Duke Energy and Dominion Energy, which have incorporated scope 3 emissions into net zero goals.\textsuperscript{16 17}

### Capital allocation and investment plans

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By 2035, Southern projects six coal-fired units will provide up to 2,670 MW of coal capacity.\textsuperscript{18} As a result, half of Southern’s operating and planned coal-fired generation capacity remains out of alignment with the Carbon Tracker Initiative’s interpretation of the IEA’s B2DS,\textsuperscript{19} let alone a 1.5°C scenario, which would require even faster closure timelines.

Southern has not announced a full phase-out of gas units by 2050, and 53% of its operating and planned gas generation capacity is also out of alignment with the IEA’s B2DS and NZE scenario.\textsuperscript{20} Southern has
not updated its decarbonization strategy since 2020 when it published its Implementation and Action Toward Net Zero report. In the report Southern contemplates utilizing 18% unabated fossil gas and an additional 21% of fossil gas with carbon capture usage and sequestration (CCUS) for its 2050 nameplate capacity mix. Southern’s overreliance on CCUS to mitigate its emissions remains out of alignment with the Science Based Targets initiative’s guidance that only small amounts of emissions (5-10%) after net zero may be mitigated with carbon removal, of which CCUS is a subset, and not substituted for a company’s emission reduction.

In the near-term, Southern subsidiary Georgia Power received approval for its 2022 Integrated Resource Plan, which included five power purchase agreements (PPAs) that are expected to contribute more than 2,000 MW of fossil gas capacity. These PPAs will be with the wholesale power subsidiary of Southern Company. Additionally, Alabama Power recently acquired a 743 MW gas-fired power plant in Calhoun County, Alabama.

**Policy influence**

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<td><strong>Climate Policy Engagement Alignment (InfluenceMap) 1:</strong> Organization Score</td>
<td>The level of company support for (or opposition to) Paris Agreement-aligned climate policy.</td>
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<td><strong>Climate Policy Engagement Alignment (InfluenceMap) 2:</strong> Relationship Score</td>
<td>The level of a company’s industry associations’ support for (or opposition to) Paris Agreement-aligned climate policy.</td>
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Southern’s engagement in U.S. federal and state climate policy remains primarily negative, according to InfluenceMap. Despite its general support for the Paris Agreement, Southern has taken positions in opposition to the clean energy transition. As of December 2022, the company has continued to advocate for the long-term role of fossil gas, going so far as to provide comments advocating for the facilitation of fossil gas infrastructure in a U.S. Environmental Protection Agency power sector pre-proposal. At the state level, Georgia Power has expressed support for gas ban preemption bills, such as the 2021 Georgia bill that sought to ban local governments in Georgia from adopting building codes based on the source of energy they use, effectively blocking municipalities with 100% clean energy mandates from moving away from fossil gas as a fuel source.

Though Southern publicly discloses its trade associations, the company has not made a specific commitment to ensure that the trade associations to which it belongs lobby in line with the goals of the Paris Agreement. This lack of commitment raises concerns given Southern’s strong relationship with the American Gas Association (AGA), which consistently demonstrates negative strategic engagement on U.S. climate policy at the federal, state, and local levels. Newly named Georgia Power chair, president, and CEO Kimberly Greene served as the 2022 chair of the AGA Board of Directors.
Conclusion: The Southern Company has failed to include its scope 3 GHG emissions in net zero by 2050 and medium-term targets, align its operating and planned coal and fossil gas-fueled generation capacity with a B2DS or a 1.5°C scenario, and commit to ensuring its direct lobbying and that of its trade associations are aligned with the Paris Agreement. Therefore, it is recommended that shareholders vote AGAINST Executive Chairman, Thomas A. Fanning (Item 1b); Lead Independent Director, David J. Grain (Item 1e); and Operations, Environmental and Safety Committee Chair, Dale E. Klein (Item 1i) at the company’s annual meeting on May 24, 2023.

4 Climate Action 100+, “Companies,” https://www.climateaction100.org/whos-involved/companies/, accessed May 5, 2023
6 Ceres, et al., Benchmarking Air Emissions, p. 7
8 Southern Company, Shareholder Sustainability Update, p. 12
10 Southern Company, “Southern Company expects to achieve interim GHG reduction goal significantly ahead of schedule.”
12 Southern Company, Shareholder Sustainability Update, p. 18
14 Southern Company, Shareholder Sustainability Update, p. 18
15 Southern Company, Shareholder Sustainability Update, p. 18
18 Southern Company, Shareholder Sustainability Update, p. 15
Note: Southern Company also acknowledges a plan to incorporate negative carbon strategies into its approach to reducing carbon emissions (p. 24)
26 Southern Company, SEC Filing on Form 10-K, February 16, 2023, p. II-56
27 Southern Company, SEC Filing on Form 10-K, February 16, 2023, I-12
29 InfluenceMap, “Southern Company,” LobbyMap