ENTERGY (ETR)

EXECUTIVE INCENTIVE FOR CARBON REDUCTION

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SUMMARY

Research has verified the need to "align corporate executive compensation with long-term goals and strategies and with long-term shareowner interests."[1] The U.S. electric power sector is an excellent example of the troubling dichotomy between misaligned shareholder and executive best interests.

This misalignment has occurred as a result of the power sector's decarbonization in response to climate change. Carbon intensity is now a key performance indicator for power companies, with carbon reduction driving value, and carbon assets increasing risk. Companies are more frequently incentivizing named executive officers to deliver on climate goals. For example, Intel, Xcel Energy, Alcoa, ING, National Grid, Shell, Suncor Energy (among others) have all integrated climate metrics into pay packages.[2] The focus on climate is as much financial as environmental; corporate carbon management results in a range of improved financial outcomes, such as increased efficiency, improved branding and competitiveness, reduced regulatory and stranded asset risk.

However, Entergy's incentive structure rewards its executives for continuing carbon intense activities, which explains Entergy's minimal carbon reduction efforts compared to peers. An executive bonus for carbon reduction would also encourage the company's leadership to reduce Entergy's carbon emissions, which despite a much publicized "carbon stabilization goal", have been rising for years.

RESOLVE CLAUSE

RESOLVED: Entergy shareholders request that the Board's Personnel Committee, create a new compensation incentive, when setting senior executive compensation and/or bonuses, that directly and routinely rewards specific, measurable reductions of tons of carbon emitted by Entergy in the preceding year.

Please see Appendix A for the full resolution.

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[1] CFA Institute. *Breaking the Short Term Cycle.* (July, 2006) http://www.cfainstitute.org/learning/products/publications/ccb/Pages/ccb.v2006.n1.4194.aspx

[2] The Conference Board. *"Linking Executive Compensation to Sustainability Performance"* (May, 2012) https://www.conference-board.org/retrievefile.cfm?filename=TCB-DN-V4N11-12.pdf&type=subsite

RATIONALE FOR A YES VOTE

A. ENTERGY'S COMPENSATION STRUCTURE ENCOURAGES THE COMPANY TO KEEP RISKY COAL PLANTS OPEN

Entergy's compensation structure, which is focused on earnings per share, encourages the company's leadership to maximize its net income. The most efficient way to maximize net income at a power company is to prolong the life of its existing coal generation. While "cheap" in the near term, this strategy exposes the company and its shareholders to regulatory risk and stranded assets. This is because Entergy has substantial carbon risk exposure, with the 15th highest level of emissions of U.S. electric power producers.[3] Entergy also owns 3 of the nation's 100 most polluting power plants, and its coal fleet has the highest coal emissions intensity rate of the top 10 largest U.S. electric power producers.[4] Pollution from Entergy's coal plants have been the subject of ongoing controversy. A 2010 study found that pollution from Entergy's White Bluff and Independence plants (Arkansas, still operating) likely resulted in the equivalent of 120 deaths, 178 heart attacks, 1970 asthma attacks, and more, representing $923,000 in health harms.[5]

The EPA is moving forward on several new regulations that will require costly upgrades to Arkansas' coal plants, which could shutter 76% of Arkansas' coal generation.[6] Unlike peers, Entergy has not been transparent on the estimated costs of compliance with these rules, nor has not made target retirement dates for plants public. Should Entergy move forward with upgrade investments to keep its coal plants open, then be forced to shutter them due to regulation, shareholders could be vulnerable to significant unrecoverable charges. An executive incentive for carbon reduction would help orient the leadership to stop attempting to wring value from coal operations that represent more risk than reward, and would incentivize investments in low carbon generation.

B. CARBON REDUCTION INCENTIVES WOULD ENCOURAGE CARBON REDUCTIONS UNLIKE ENTERGY'S BROKEN CARBON "STABILIZATION" PROGRAM, UNDER WHICH EMISSIONS ARE RISING

Entergy's climate management centers on its 'voluntarily carbon stabilization goal'. However Entergy is not clear with stakeholders that its net corporate carbon emissions are hardly stabilized, and rose in

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[3] Ceres*. Benchmarking Utility Air Emissions* (July 2014) http://www.nrdc.org/air/pollution/benchmarking/files/benchmarking-2014.pdf

[4] Environment America. *America's Dirtiest Power Plants: Polluters on a Global Scale.* (Sept, 2014). http://www.environmentamericacenter.org/sites/environment/files/reports/EA_Dirtiest_power_plants_scrn_0.pdf. [See note 2 coal intensity data; comparing data from top 10 electric power producers. Power plant data from]

[5] Clean Air Tasks Force. *Death and Disease from Power Plants.* http://www.catf.us/fossil/problems/power_plants/ [Figures based on estimate from data in tool]

[6] The City Wire. *"Manufacturers' study: New EPA rules could cost Arkansas 10,000 jobs".* (July, 2014) http://www.thecitywire.com/node/34066#.VR2mc_nF-Sg. [Note costs cited in the article are only an estimate for the ozone rule, one of several EPA rules affecting Arkansas coal generation. Other rules include regulations on mercury, regional haze, water cooling, cross state pollution, coal ash, and the Clean Power Plan which requires state level carbon reductions.]

2008, 2009, 2010, 2011, 2013 and 2014.[7]

Entergy's claims of carbon stabilization could confuse investors. The Company's website states that "In 2001 Entergy was the first U.S. utility to voluntarily commit to stabilizing CO2 emissions as part of our efforts to address the business risk posed by climate change. After successfully completing two five-year stabilization commitments, Entergy set a new voluntary stabilization commitment as part of Environment2020."[8] Taking it further, in the Company's 2012 sustainability report states that its "cumulative" emissions were 11.15% below the 'cumulative' stabilization goal from 2001-2012.[9] Yet according to the raw GHG inventory data, Entergy's emissions rose ~20% from 2006 to 2012, the second of its "completed" stabilization commitments noted above.[10] The 2001-2005 period, when the company actually did make reductions, is included, consequently masking the rising emissions trend in the latter 5 years. The 'voluntary carbon stabilization goal' also excludes Entergy's "controllable purchased power" emissions, which would add ~15% to the company's total emissions for 2013.[11] Rather than reducing carbon risk, the company has altered its "stabilization goal", either moving the target out farther in time, and/or by including more years in the 'cumulative' goal, and then claiming 'carbon stabilization' in its corporate responsibility materials *despite rising net corporate emissions* since 2006. Consequently, Entergy's voluntary stabilization goal is not useful to investors, and reflects troubling company culture on carbon management transparency. The reality of the company's rising carbon emissions is in stark contrast to utility peers, many of whom have peaked carbon output. A carbon reduction metric would also increase carbon management transparency for investors, and would encourage Entergy's leadership to reduce carbon pollution rather than continuing its ineffective "stabilization" program.

Please note between November 2014 when proponents filed the carbon reduction incentive resolution, and April 2015 when this brief was drafted, Entergy appears to have removed the link to its American Carbon Registry page from its corporate website.[8] Thus the company provided another barrier to investor and stakeholder access to data that demonstrates the company's increasing emissions. The

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[7] American Carbon Registry. *Entergy Corporation Corporate GHG Inventory Reporting.* (Accessed April, 2015). http://americancarbonregistry.org/how-it-works/accounts/entergy-corporation-corporate-ghg-inventory-reporting. [As of April 2015 Entergy's total corporate carbon emission data from 2006 on is still available on the American Carbon Registry]

[8] Entergy. *Lighting the Way: Creating Sustainable Value for the Next 100 Year - 2012 Sustainability Report*. http://www.entergy.com/content/sustainability/2012_sustainability_report.pdf

[9] Entergy. *Lighting the Way: Creating Sustainable Value for the Next 100 Year - 2012 Sustainability Report*. http://www.entergy.com/content/sustainability/2012_sustainability_report.pdf

[10] Entergy. *Entergy and the Environment* http://www.entergy.com/our_community/environment/performance.aspx

[11] American Carbon Registry. *Entergy's GHG Inventory 2013 Final Verified.* (July, 2014) http://americancarbonregistry.org/how-it-works/accounts/entergy-ghg-inventory-2013-final-verified-030714-redacted.pdf (pg. 1). [Entergy's carbon stabilization goal doesn't include "controlled purchase power", power it opts to buy from facilities not owned by Entergy to sell to customers. In 2013 this represented approximately 15% of its emissions, unaccounted for]

[8] Entergy. *Entergy and the Environment.* http://www.entergy.com/our_community/environment/performance.aspx; Entergy. *Entergy Corporation Greenhouse Gas Inventory for Calendar Year 2013.* (March, 2014). http://www.entergy.com/content/our_community/pdfs/ICF_Verification_Statement_and_Report_2013.pdf [The company now only seems to link to data from the years, 2011 and 2013]

American Carbon Registry page is, as of April 2, 2015, still accessible.[9]

C. ENTERGY LAGS PEERS ON RENEWABLE ENERGY ADOPTION

Entergy is ranked poorly compared to utility peers on renewable energy and energy efficiency deployment. A 2014 report ranked Entergy's renewable energy sales 4th lowest of those studied (28th out of 32 of the largest U.S. investor owned utilities), with renewable energy representing less than a percent (0.64%) of its 2012 electricity sales. [10] In the same study Entergy was last (32nd of 32) on cumulative energy efficiency sales, at just 0.13% of Entergy's 2012 electricity sales.[11] Contrary to other utilities, Entergy's renewable energy generation is *decreasing;* from 2008 to 2013, Entergy's hydroelectric and renewable energy generation decreased 25%.[12] As of 2014, "Entergy currently has no capex planned for renewable energy capacity development."[13] The absence of planning to bring on substantial renewables leaves Entergy behind peers, and positions the company poorly in the low carbon economy, which is already rewarding utilities with the robust renewable energy investments.[14] An executive incentive for carbon reduction would encourage Entergy's executive team to invest in energy efficiency and renewable energy, better aligning Entergy with its shareholder's best interests and with the rest of the U.S. electric power sector.

D. EXECUTIVE INCENTIVE FOR CARBON REDUCTION WOULD ASSIST ENTERGY IN LOW CARBON INVESTMENTS BEYOND ITS CONTROVERSIAL NUCLEAR FLEET

Entergy's aging nuclear fleet reduces its carbon emissions rate by diluting its coal plant pollution with zero-emissions nuclear power. However Entergy has faced fleet-wide political opposition in its efforts to obtain operating license renewals, creating uncertainty as to the future of the fleet. The opposition was so intense that in 2013 Entergy closed its plant 'Vermont Yankee' plant ahead of schedule, even with an operating license approval in hand.[15] Similarly, Entergy faced stiff opposition renewing its permit for the "Pilgrim" Nuclear Plant in Massachusetts, where the local community protested, the state government sued, and the state's then-governor, state assembly members, and Congressional representatives

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[9] American Carbon Registry. *Entergy Corporation Corporate GHG Inventory Reporting.* (Accessed April, 2015). http://americancarbonregistry.org/how-it-works/accounts/entergy-corporation-corporate-ghg-inventory-reporting. [As of April 2015 Entergy's total corporate carbon emission data from 2006 on is still available on the American Carbon Registry]

[10] Ceres. *Benchmarking Utility Clean Energy Deployment: 2014 – Ranking 32 of the Largest U.S. Investor-Owned Electric Utilities on Renewable energy & Energy Efficiency. (July 2014).* http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014

[11] Ceres. *Benchmarking Utility Clean Energy Deployment: 2014 – Ranking 32 of the Largest U.S. Investor-Owned Electric Utilities on Renewable energy & Energy Efficiency. (July 2014).* http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014

[12] CDP. *Investor CDP 2014 Information Request Entergy - Corporation (2014), EU2.1g & EU2.1h.* *http://entergy.com/content/our_community/pdfs/Entergy_2014_CDP_Final.pdf*

[13]CDP. *Investor CDP 2014 Information Request Entergy - Corporation (2014) EU 4.3.* *http://entergy.com/content/our_community/pdfs/Entergy_2014_CDP_Final.pdf*

[14] Appendix B

[15] New York Time. "*Vermont Yankee Plant to Close Next Year as the Nuclear Industry Retrenches".* (Aug, 2013) *http://www.nytimes.com/2013/08/28/science/entergy-announces-closing-of-vermont-nuclear-plant.html?_r=0*

objected to the renewal.[16] Entergy may also eventually be unable to acquire a permit for its Indian Point plant, located outside of New York, which is similarly controversial.[17] An executive incentive to reduce carbon would incent the company's executive team to pursue carbon reduction methods beyond nuclear

E. CARBON REDUCTION AND MANAGEMENT RESULTS IN IMPROVED FINANCIAL PERFORMANCE

Research demonstrates that carbon management yields financial performance. When corporations track, manage, and reduce carbon impacts, various financial indicators improve. These include improved return on equity, stronger dividends, lower earnings volatility, reduced emissions and regulatory risk.[18] Another report identifies business benefits of carbon management including commodity price certainty, responding to customer demand for low carbon solutions, reduced overhead, improved leadership and branding.[19] A third analysis confirms that "firms with stronger ESG policies also enjoy increased efficiency and higher valuations than their peers."[20]

Similarly, proponents compared data from the largest 28 U.S. investor owned utilities with recent stock prices. [21] The results suggests that utilities with the most renewable energy sales and energy efficiency savings also have the best stock price.[22] Thorough review is needed, an executive compensation metric that incentivizes low carbon investments like renewable energy and energy efficiency by encouraging carbon reduction seems likely to result in increased shareholder value. This could benefit Entergy whose financial performance, mediocre beside peers, is flagging in the first quarter of 2015.

CONCLUSION

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[16] Bloomberg. "*Massachusetts Loses Challenge to Entergy License Renewal*". (Feb, 2013). http://www.bloomberg.com/news/articles/2013-02-26/massachusetts-loses-challenge-to-entergy-license-renewal ; CBS Boston. *"Protesters Use Cape Traffic To Protest Pilgrim Nuclear Power Plant"*. (Sep, 2013) http://boston.cbslocal.com/2013/09/02/protesters-use-cape-traffic-to-protest-pilgrim-nuclear-power-plant/ ; WGBH *"Power Struggle: The Fight Over Pilgrim Nuclear"* http://www.wgbh.org/articles/Power-Struggle-The-Fight-Over-Pilgrim-Nuclear-4874; Cape Code Time. *"Governor Patrick Seeks Pilgrim Nuke Plant Review"* (May, 2012). http://www.capecodtimes.com/article/20120508/NEWS/205080331/-1/NEWS01?template=printart.

[17] WAMC Northeast Public Radion.*"NRC Rules On Contentions Raised For Indian Point Relicensing"*. (March, 2015). http://wamc.org/post/nrc-rules-contentions-raised-indian-point-relicensing

[18] CDP. *S&P500 Leaders Report.* (2014). https://www.cdp.net/CDPResults/CDP-SP500-leaders-report-2014.pdf
[note that because utility return on equity is capped by regulation, the ROE trend does not follow in the power sector]

[19] Ceres. *Power Forward 2.0.* (2014). http://www.ceres.org/resources/reports/power-forward-2.0-how-american-companies-are-setting-clean-energy-targets-and-capturing-greater-business-value

[20] Gillan, Hartzell, Koch, Starks. University of Pittsburg *Firm's Environmental, Social and Governance (ESG) Choices, Preformance and Managerial Motivation 2020*. (Nov, 2010) http://business.pitt.edu/katz/sites/default/files/koch3.pdf

[21]Ceres. *Benchmarking Utility Clean Energy Deployment: 2014 – Ranking 32 of the Largest U.S. Investor-Owned Electric Utilities on Renewable energy & Energy Efficiency. (July 2014).* http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014 & Yahoo Finance. (Accessed 3/4/15). http://finance.yahoo.com/
from Appendix B.

[22] Appendix B

Rather than pursuing a plan for a low carbon business model that would position it for ongoing competitiveness, Entergy is prolonging the life of its coal plants, with corresponding rising emissions. An executive compensation incentive rewarding carbon reductions could align Entergy's business planning with fundamental shifts in the energy sector toward low-carbon infrastructure, thereby helping to secure shareholder value into the future.

Appendices

Appendix A

Whereas,

- The UN IPCC "Synthesis Report" states that "Continued emission of greenhouse gases will cause... long-lasting changes in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems."

- Entergy's service territory is vulnerable to destructive storms: "climate and weather disasters in the [Southeast] have exceeded the total number of billion dollar disasters experienced in all other regions of the country combined". (National Climate Assessment 2014, Southeast Chapter)

- Hurricane Katrina bankrupted Entergy Louisiana, and hurricanes Katrina, Rita, Ike, and Gustav cost Entergy $2.8 billion in restoration costs. (Entergy CDP 2013)

- Though Entergy has sustained massive losses related to climate intensified disasters, Entergy is also helping to cause climate change. Entergy's total corporate carbon emissions rose from the prior year in 2007, 2008, 2010, 2011, and 2013. (American Carbon Registry, Entergy Account)

- Entergy's aging coal plants, Independence and White Bluffs, disproportionately contribute to the company's carbon emissions. These two plants represent 11% of Entergy's fuel mix (Ceres, Benchmarking Air Emissions, 2014) but result in approximately 33% of the company's Scope 1 emissions (Entergy CDP 2014), and were listed as two of the nation's most polluting power plants in the U.S. ("America's Dirtiest Power Plants", Environment America, Sept 2014). Entergy has announced no plans to retire the plants despite increasing regulatory risk.

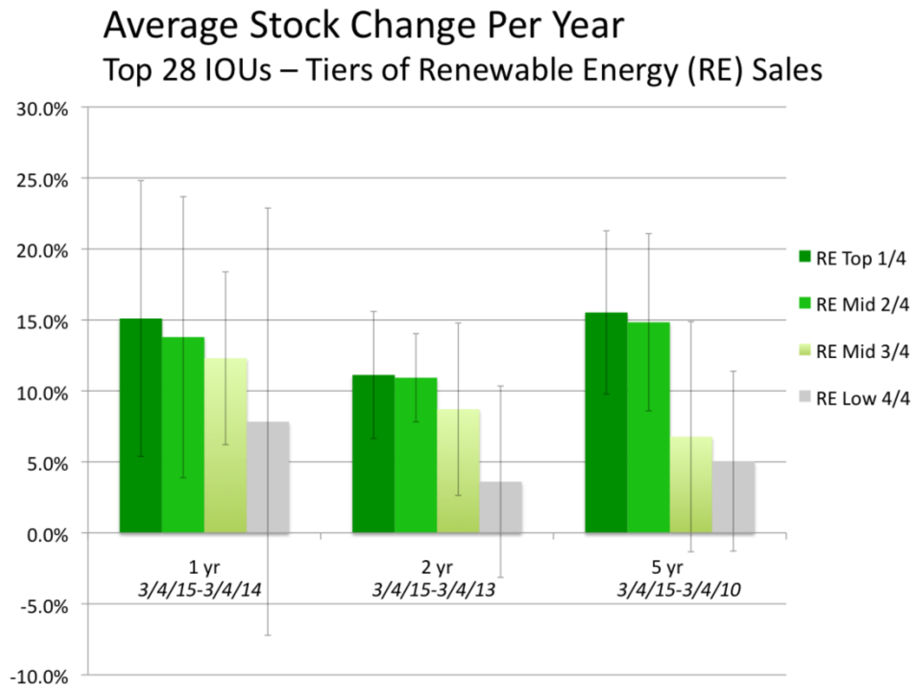
- A United Nations' report found that "Companies should link appropriate (Environmental, Social, Governance] metrics to reward systems in a way that they form a meaningful component of the overall remuneration framework." Similarly, "(d]isclosures of relevant ESG goals and their associated links to compensation should be integrated into official pay disclosures.” (UNEP & UN Global Compact, “Integrating ESG Issues into Executive Pay, 2012)

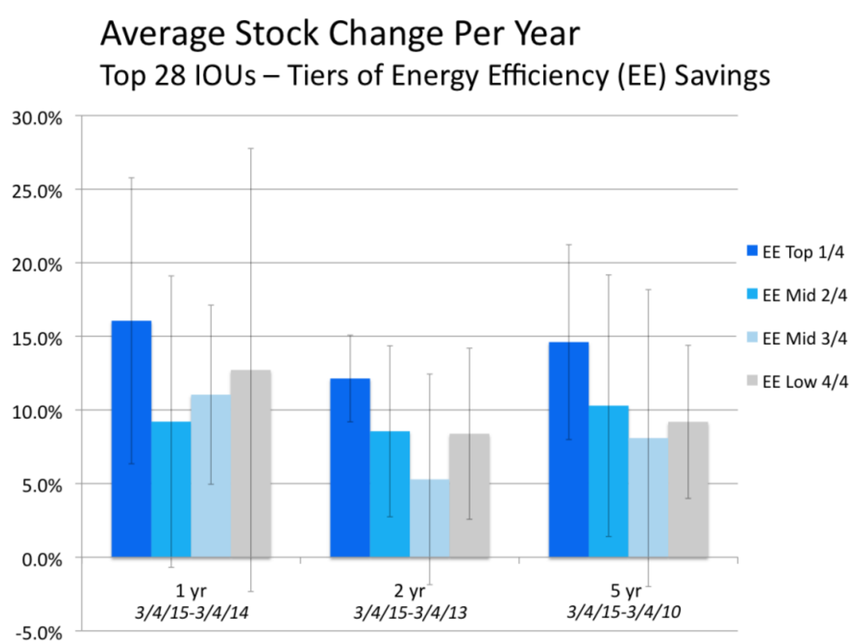
- “Increased investor attention to non-traditional drivers of value has led some companies to include sustainability metrics in the design of their executive incentive programs.” (GMI Ratings “Sustainability Metrics in Executive Pay” 2014). Indeed, more and more companies have added specific, measurable GHG reduction metrics to executive compensation plans. Such companies include Intel, Xcel Energy, Alcoa, ING, National Grid, Shell, Suncor Energy, among others. (ConferenceBoard, “Linking Executive Compensation to Sustainability Performance.”, 2012)

- Although the company’s proxies occasionally reference consideration of non-financial factors in setting bonus levels, no standardized metrics based on carbon reduction have been included in the company’s incentives packages.

RESOLVED: Entergy shareholders request that the Board’s Personnel Committee, create a new compensation incentive, when setting senior executive compensation and/or bonuses, that directly and routinely rewards specific, measurable reductions of tons of carbon emitted by Entergy in the preceding year.

Appendix B


Average Stock Change Per Year
Top 28 IOUs – Tiers of Renewable Energy (RE) Sales
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
1 yr
3/4/15-3/4/14
2 yr
3/4/15-3/4/13
5 yr
3/4/15-3/4/10
RE Top 1/4
RE Mid 2/4
RE Mid 3/4
RE Low 4/4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1 yr
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2 yr
3/4/15-3/4/13
5 yr
3/4/15-3/4/10
EE Top 1/4
EE Mid 2/4
EE Mid 3/4
EE Low 4/4

Utility	Energy Efficiency Savings (%)	Renewable Energy Sales (%)	Market Cap ($ Billions)	Stock % Change: (3/4/15-3/4/14)	Stock % Change: (3/4/15-3/4/13)	Stock % Change: (3/4/15-3/4/10)
AES Corporation	2.83	0.53	8.97	-8.90%	2.99%	9.18%
Alliant Energy	8.39	5.41	6.88	16.20%	28.55%	83.71%
Ameren	1.10	4.03	10.14	3.70%	22.70%	63.74%
American Electric Power	2.13	2.65	27.63	0.1458	18.42%	65.48%
CMS Energy	2.79	5.21	9.43	22.29%	27.33%	117.95%
Consolidated Edison	5.10	3.19	18.13	11.97%	4.47%	41.66%
Dominion	0.41	0.52	41.45	3.70%	24.81%	77.54%
DTE Energy	3.60	4.15	14.28	14.53%	20.60%	79.56%
Duke Energy	2.68	3.29	54.45	9.97%	10.20%	57.20%
Edison International	16.87	16.67	20.65	23.86%	26.28%	87.48%
Entergy	0.13	0.64	13.74	22.59%	20.13%	-2.27%
Exelon	2.69	2.97	28.05	9.46%	2.56%	-26.12%
FirstEnergy	2.05	2.26	14.45	11.28%	-15.26%	-13.03%
Iberdola	4.15	3.17	42.69	-0.41%	32.86%	-22.61%
National Grid	10.44	5.70	50.24	-3.95%	20.80%	34.15%
Northeast Utilities	16.46	6.60	16.66	20.06%	23.39%	95.97%
OGE Energy	0.96	6.59	6.33	-10.67%	6.60%	66.03%
Pepco Holdings	0.73	3.40	6.86	36.83%	30.70%	57.82%
PG&E	17.18	16.87	25.55	25.45%	24.58%	25.53%
Pinnacle West	7.98	5.35	6.97	16.69%	10.05%	68.95%
Portland General Electric	10.25	7.52	2.84	15.95%	19.85%	89.22%
PPL Corp	2.77	1.69	22.18	5.99%	8.06%	17.91%
PSEG	0.90	4.93	20.92	16.39%	25.43%	35.20%
SCANA	0.84	0.00	7.89	13.54%	11.16%	49.42%
Sempra Energy	12.54	16.86	26.59	15.28%	36.20%	114.66%
Southern Company	1.01	0.05	40.75	6.64%	-1.43%	38.02%
We Energies	10.14	5.67	11.26	14.38%	20.25%	99.80%
XCEL	10.62	18.11	17.50	15.77%	18.83%	64.43%

- Ceres & CleanEdge. *Benchmarking Utility Clean Energy: Ranking 32 of the largest U.S. Investor-owned Electric Utilities on Renewable Energy & Energy Efficiency* (July, 2014). http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014/view
- Yahoo Finance. (Accessed 3/4/15). http://finance.yahoo.com/