

Leveraging Energy Management Through Investor Relations

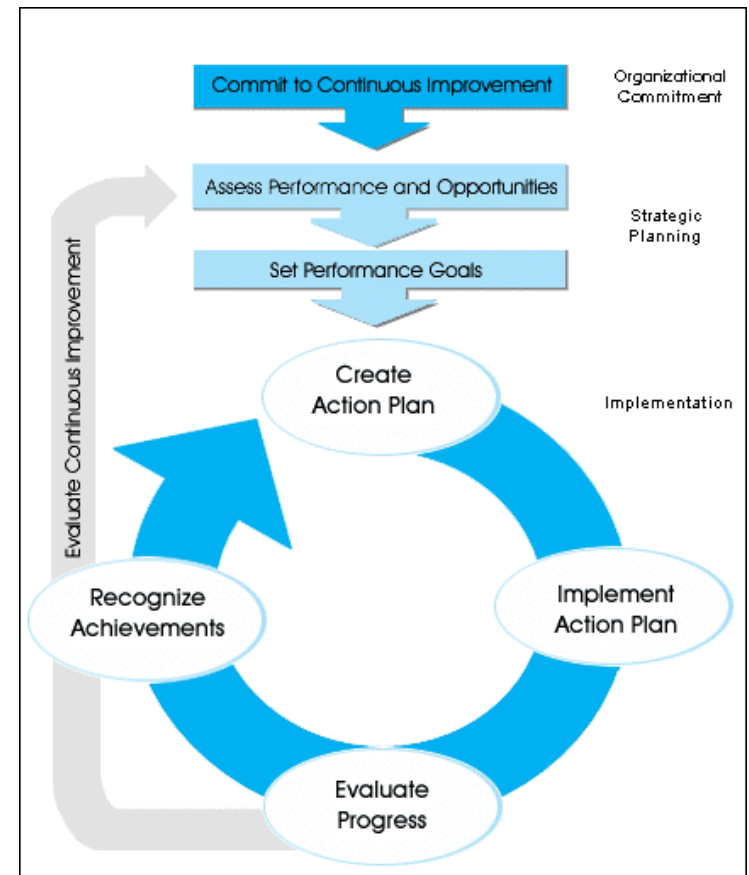
July 16, 2003



ENERGY STAR

About the Web Conferences

- **Monthly**
- **Topics are structured on a strategic approach to energy management**
- **Help you continually improve energy performance**
- **Opportunity to share ideas with others**
- **Slides are a starting point for discussion**
- **Open & Interactive**





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Today's Web Conference

- Background
- Paul Hilton - Dreyfus
- Brooke Lauter - Arden
- Questions & Discussion
- ENERGY STAR Resources



Traditional View of Energy & Environmental Management

- Energy & environmental expenditures reduce profitability.
- Environment is primarily a risk management issue.
- Fiduciary responsibility to maximize returns precludes consideration of broader issues, such as the environment.



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Current & Evolving Perspective

- Most studies show a positive correlation between environmental and stock market performance because:
 - Energy & environmental performance are excellent proxies for management quality.
 - Management quality is a leading determinant of stock market performance.
 - Energy & environmental management success implies excellence in other business areas
- Climate change is emerging as a global business issue.



New Perspective

“We believe that quality energy management can be an indicator of overall management acuity.”

Neuberger Berman

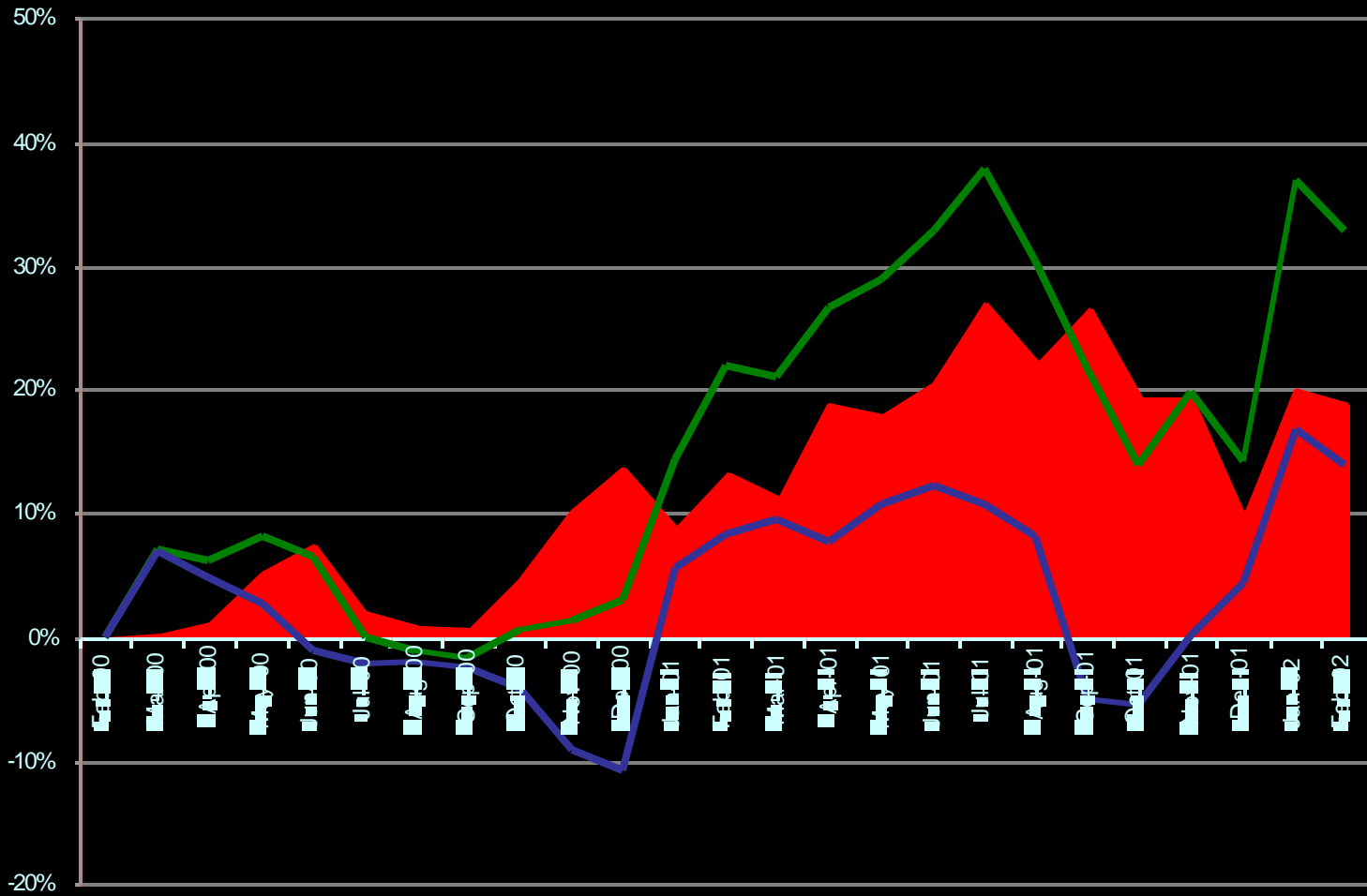
Firms totaling more than \$4 billion in assets-under-management are looking at companies' ENERGY STAR performance for signs of superior overall management quality.

Stock Market Performance of ENERGY STAR REITs Partners



	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02
Active Partners	0.0%	6.8%	6.3%	13.7%	6.1%	7.3%	18.6%	16.9%	14.6%	13.5%	18.2%	19.6%	22.9%	19.7%	21.5%	11.3%	10.0%	16.4%	23.9%	25.8%	29.1%	39.0%	39.4%	37.1%	33.1%
Less Active Partners	0.0%	7.0%	3.1%	5.3%	-0.4%	0.1%	7.0%	8.0%	5.0%	3.5%	5.3%	8.2%	15.0%	12.5%	14.1%	2.0%	-2.8%	6.2%	10.4%	12.1%	16.1%	23.9%	25.3%	25.4%	26.5%
Nonpartners	0.0%	4.5%	2.0%	3.1%	-1.6%	-1.5%	0.3%	6.3%	8.8%	8.7%	9.9%	15.5%	20.0%	16.4%	17.0%	7.7%	5.0%	8.5%	9.8%	10.9%	14.1%	17.0%	17.9%	18.6%	20.4%

ENERGY STAR Retail Partners vs. Broadline Index



	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02
Difference	0.0%	0.3%	1.2%	5.4%	7.5%	2.1%	0.9%	0.7%	4.7%	10.4	13.8	90.0	135	114	19.0	18.1	20.6	27.2	22.3	26.8	19.4	19.5	9.9%	20.2	18.9
RetailENERGYSTAR Partners	0.0%	7.2%	6.2%	8.2%	6.5%	0.0%	-0.9%	-1.8%	0.7%	1.3%	3.1%	14.5	21.9	21.0	26.7	28.9	33.0	38.0	30.4	21.8	14.0	19.8	14.3	37.0	32.9
DJ BroadLine Retail Index	0.0%	6.9%	5.0%	2.7%	-1.0%	-2.1%	-1.8%	-2.5%	-4.1%	-9.1%	-10.7	55	8.4%	9.6%	7.8%	10.8	12.5	10.8	8.1%	-5.0%	-5.4%	0.3%	4.4%	16.8	14.0

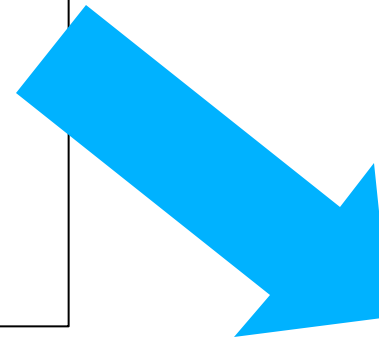


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Energy Management Adds Value...

Issue:

- Reputation / Identity
- Leadership, Positioning
- Voluntary Disclosure
- Transparency
- Shareholder Advocacy
- Risk Mitigation
- Earnings per Share



Audience:

- Institutional Investors
- Wall Street Analysts
- Shareholders
- Financial Press and Web



The Opportunity

- **Capture energy management value portfolio-wide**
- **Track and report progress regularly**
 - Annual reports
 - Shareholder messages
 - Quarterly IR calls
 - Press releases
- **Leverage ENERGY STAR's resources**
 - Financial Value Calculator
 - Sector-specific financial messaging



*Sustainable
Governance through
Energy Management*

**Presentation to Energy Star
Monthly Web Conference**

July 16, 2003

**Paul A. Hilton,
Portfolio Manager**

 Dreyfus

The Dreyfus Corporation

- Established in 1951, headquartered in New York City.
- Currently manages more than \$180 billion in mutual funds, separately managed accounts and institutional portfolios.
- A subsidiary of Mellon Financial Corporation.
- Mellon has approximately \$2.9 trillion in assets under management, administration or custody, including \$566 billion under management.



The Dreyfus Premier Third Century Fund, Inc.

- Started in 1972 by then CEO Howard Stein.
- Established to “enhance the quality of life in America.”
- One of the first funds to look at social, environmental, and financial criteria in stock selection.
- Four primary areas of focus: environment, employee diversity, employee safety, and product safety.
- \$1.1 billion in assets under management in the fund and its variable annuity counterpart.



How We Look at Companies...

1200 (approx.) Stocks Available for Investment

Quantitative Analysis

- Market cap of \$3 billion+
- 500 (approx.) Stocks in Universe

Fundamental Analysis

- Analysts rate companies within sectors
- 200 (approx.) Stocks in Universe

Social/Environmental Analysis

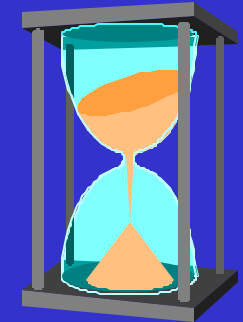
- Eliminate companies that violate screens
- Identify “best in class” companies in certain sectors

170 (approx.) Stocks in Universe

60 (approx.) Stocks in Portfolio



The History of SOCIALLY RESPONSIBLE INVESTING



Early

Late

1900's

1960's

1980's

Today

ISSUE:
Sin Stocks

ISSUE:
Vietnam War

ISSUE:
Apartheid

ISSUE:
*Sustainable
Governance*

FOCUS:
*Tobacco
Alcohol
Gambling*

FOCUS:
*Weapons
Manufacturers*

FOCUS:
*Companies in
South Africa*

FOCUS:
*Intersection of Financial
and Social Performance*

 **Dreyfus**

Why Sustainable Governance?

“... the tidal wave of disclosures about wrong-doing in Corporate America’s executive suites and board-rooms has won [socially responsible investors] important allies, including pension funds, union and individual investors concerned about corporate governance.”

--Barron’s, July 7, 2003



Why Sustainable Governance?

- Parallel tracks of corporate governance and socially responsible investing are converging.
- Recognition among mainstream investors that social and ethical factors have bottom-line impact: reputation, fines/penalties, operating costs, product sales.

Why Energy Management?

Reason #1: Reduce Operating Expenses

- In some sectors, such as lodging, healthcare, and food retailers, energy costs may be as high as 5% of operating expenses.
- In sectors with tight margins, such as food retailers, each dollar saved in operating expenses is equivalent to \$80 in increased revenue.
- Success in reducing energy costs directly contributes to reduced SG&A and increased operating income.



Why Energy Management?

“The retail companies are all talking about rising energy costs and their impact on earnings. It is becoming an issue with meeting expectations.”—Leigh Todd,
Portfolio Manager and Retail Specialist, The Boston Company
Asset Management



Why Energy Management?

Reason #2: Manage Climate Change Risks

- According to Green Strategies, Inc., electricity generation is responsible for 33% of U.S. greenhouse gas emissions, the greatest of any industrial sector.
- Risks take two forms:
 - 1) Damage/remediation costs directly from climate change.
 - 2) Costs associated with possible emissions reduction requirements.

Why Energy Management?

“To fulfill their fiduciary duties, investors and directors now must understand which industry sectors and companies are exposed to the greatest [climate change] risks, what measures are being taken if any to reduce them, and how effective they are likely to be.” —**CERES**
Report, Value at Risk: Climate Change and the Future of Governance

Questions We Ask Now...

- What is the company's Innovest sector rating?
- Is the company an ENERGY STAR Partner?
- Has the company won any ENERGY STAR Partner awards?
- Does the company disclose energy management programs and accomplishments in public reports?
- Has the company set portfolio-wide goals / timetables for energy performance?
- How many actions has the company taken on the CERES 14-point Climate Change Governance Checklist?

Our Wish List...

- Ability to compare companies in the same industry with publicly available energy management data.
- Use of common metrics, such as energy cost/sq. foot.
- Knowledge of initiatives across entire portfolio of buildings. Upgrades at worst performing buildings may have much greater financial and pollution impact.
- Regular updates on: energy management improvements in EPS equivalents, ENERGY STAR buildings labeled and benchmarked.

Conclusion

- Energy management is already an important factor for funds with a mandate to consider social and environmental issues.
- As more information becomes available in the public domain, mainstream financial analysts will be able to benchmark relative energy efficiency.
- Companies that are proactive in energy management *and* disclosure will benefit from improved financial valuations relative to peers.

***Leveraging Investor Relations through
Energy Management***

July 15, 2003





Arden Realty, Inc.

- Arden is a Real Estate Investment Trust traded on the New York Stock Exchange [NYSE: ARI]
- As the largest publicly-traded office landlord in Southern California, Arden currently owns and manages 18.9 million square feet (131 properties, 217 buildings)
- For three years running, Arden was cited by the Environmental Protection Agency as the “*Commercial Real Estate Owner of the Year*” for having the most energy efficient buildings in a single portfolio in the nation
- Arden currently operates 83 Energy Star labeled buildings out of 217 of the State of California, and out of 481 in the nation



8383 Wilshire, Beverly Hills



- 600 kW CHP system with chiller
- Provides approx 55% of building's total electric requirement
- Provides approx. 48% of building's chilled water



17330/17390 Brookhurst , Fountain Valley



- 200 kW CHP solar system
- Provides up to 17% of buildings' combined total electric requirement (up to 33% for 17330 and up to 11% for 17390)



100 Oceangate, Long Beach



- 400 kW CHP system with chiller
- Provides approx. 48% of building's total electric requirement
- Provides approx. 78% of building's chilled water



Target Audiences

- Stockholders
- Analysts
- Tenants
- Peer Companies
- Service Providers
- Clients and Partners



Defining the Message

- Good, proactive management practice
- Responsible corporate citizenship
- Leadership role in the industry
- next>edge



Communicating the Message

- Annual Report
- 10K and 10Qs
- Press Releases
- Conference Calls
- Editorial
- Speeches
- Website
- Capabilities Brochure
- Corporate Bio
- Event Branding



Working with IR & Corporate Communications

- Meeting the objectives of both disciplines
- Opportunities and limitations of IR as a message vehicle



Internal Benefits

- Sets an example/builds support for the energy program
- Instills a sense of pride in employees
- Expands networking platform
- Strengthens the corporate brand



Questions & Discussion



The Opportunity

- **Capture energy management value portfolio-wide**
- **Track and report progress regularly**
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Financial Value Calculator

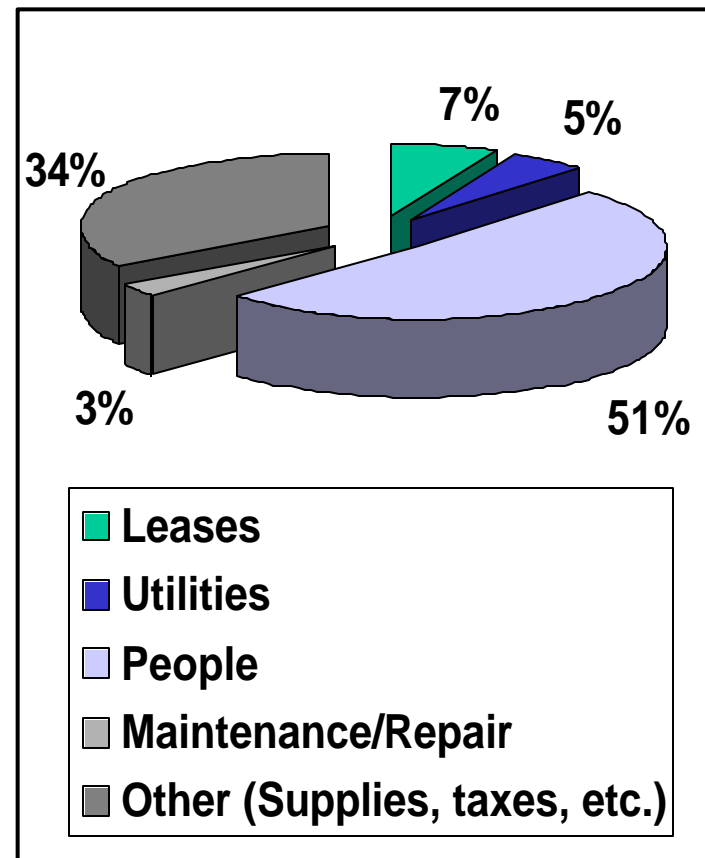
...a critical link to stakeholder communication



Financial Value Calculator

Supermarket Costs

- Energy is a cost component that is seldom adequately controlled.
- Every dollar saved can have the same impact on your bottom line as increasing sales by \$80.





A 10% Reduction in Energy Costs is Equivalent to...

Increasing profit margins by.... 6%

Increasing earnings per share by... 7%



ABC Supermarket Sample Data

Among top supermarket companies, you are
the 11th largest food retailer in the nation,

but....

in terms of profits, you are only 12th.



Your Competition

Nationwide, energy costs for supermarkets average approximately \$3.50 per square foot.

Your average energy cost is
\$4.50 per square foot.

If your energy costs were lowered to the national average, you would rank 10th in profitability!



ENERGY STAR's Growing Resource Set...

- Better financial messages for the CEO and CFO.
- More and more compelling opportunities to share success with the marketplace.

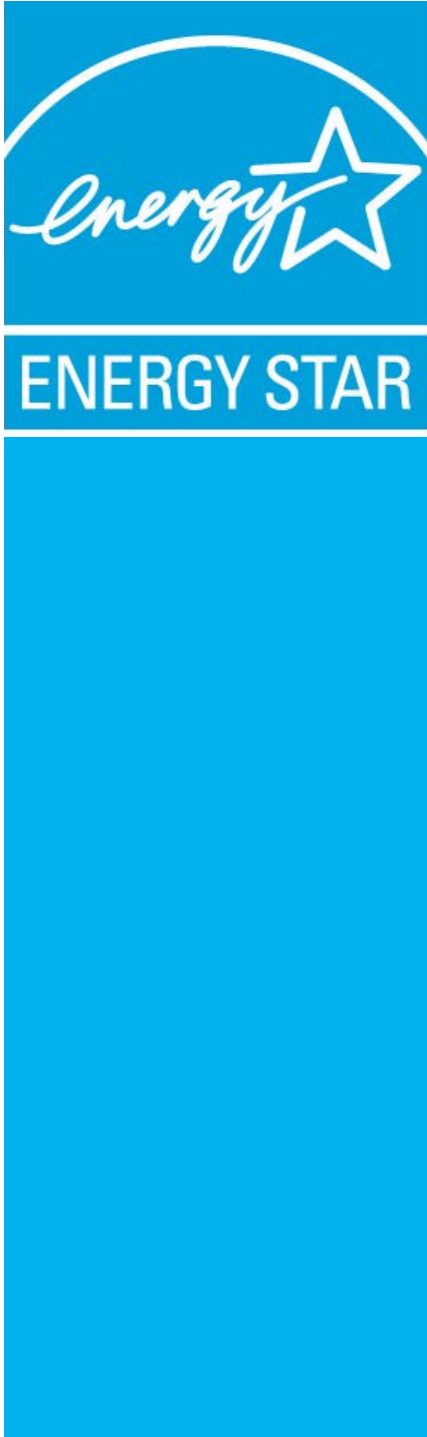


ENERGY STAR

Upcoming Web Conferences

August 20, 2003 **Submetering for
strategic energy
management**

September 17, 2003 **Creating &
Implementing
Effective Action
Plans**



Thank you for participating!