



Communicating To Financial Stakeholders

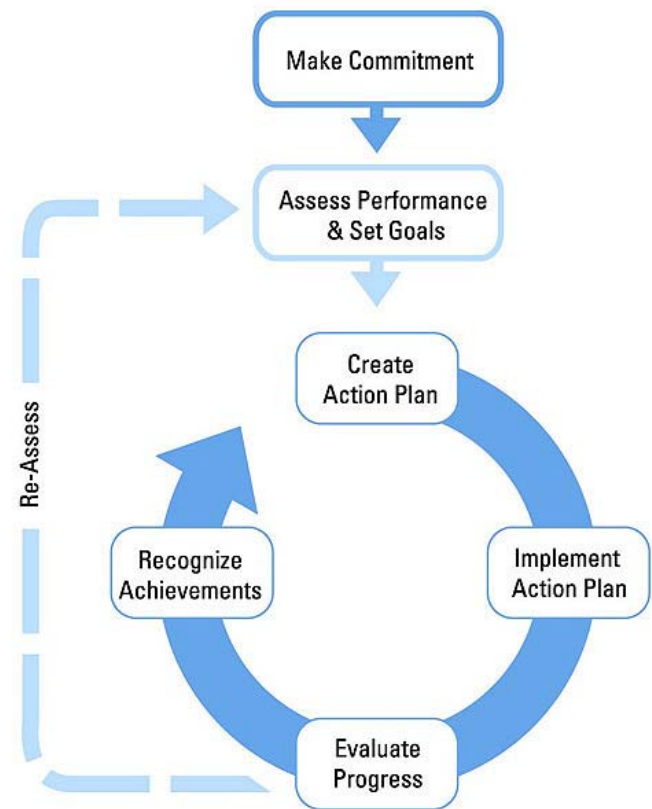
February 18, 2004



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**





Web Conference Tips

- Mute phone when listening!
Improves sound quality for everyone.
- If slides are not advancing, hit refresh or close presentation window and press the re-launch button again.



Today's Web Conference

- Welcome
- Background
- Jennifer Bonaccorsi – Pax World
- Craig Metrick - IRRC
- Questions & Discussion
- Announcements



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.



Current & Evolving Perspective

- Most studies show a positive correlation between environmental and stock market performance:
 - 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
 - Recognition among mainstream investors that social and ethical factors have bottom-line impact: reputation, fines/penalties, operating costs, product sales.
- *“We believe that quality energy management can be an indicator of overall management acuity.”*

Neuberger Berman SRI Group



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Investor Interest in Climate Change

- Ten firms totaling more than \$4 billion in assets-under-management are looking at companies' ENERGY STAR performance
- Investor research services (IRRC, etc.) are including ENERGY STAR data
- Broad, new investor initiatives are emerging:
 - UN Institutional Investor Summit on Climate Risk (+\$1 trillion in assets)
 - Carbon Disclosure Project (35 investors with \$4 trillion in assets)

 **Dreyfus**

 **Dreyfus**

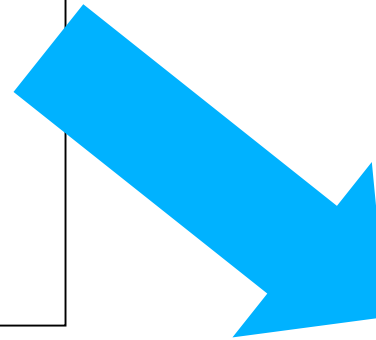
 **Dreyfus**



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



ENERGY STAR

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
 - Dedicated investor endorsers
 - Relationships with investor research services
 - Distribution list of 300+ institutional investors
 - Investor-oriented news syndication

Environmental Disclosure and SRI

Craig Metrick
Investor Responsibility Research Center
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EPA ENERGY STAR Webcast,
February 18, 2004



Investor Responsibility Research Center

*Serving institutions since 1972 with impartial research
on corporations and shareholders worldwide*

✓ **Social Issues**

In-depth, impartial
proxy research

Web access via
Online Analyst

Portfolio\$creener
software

Company profiles

✓ **Corporate Governance**

Coverage of 80 markets
worldwide

Analysis of shareholder and
management proposals

Compensation and board
practices research

Custom coverage

✓ **Agency Voting**

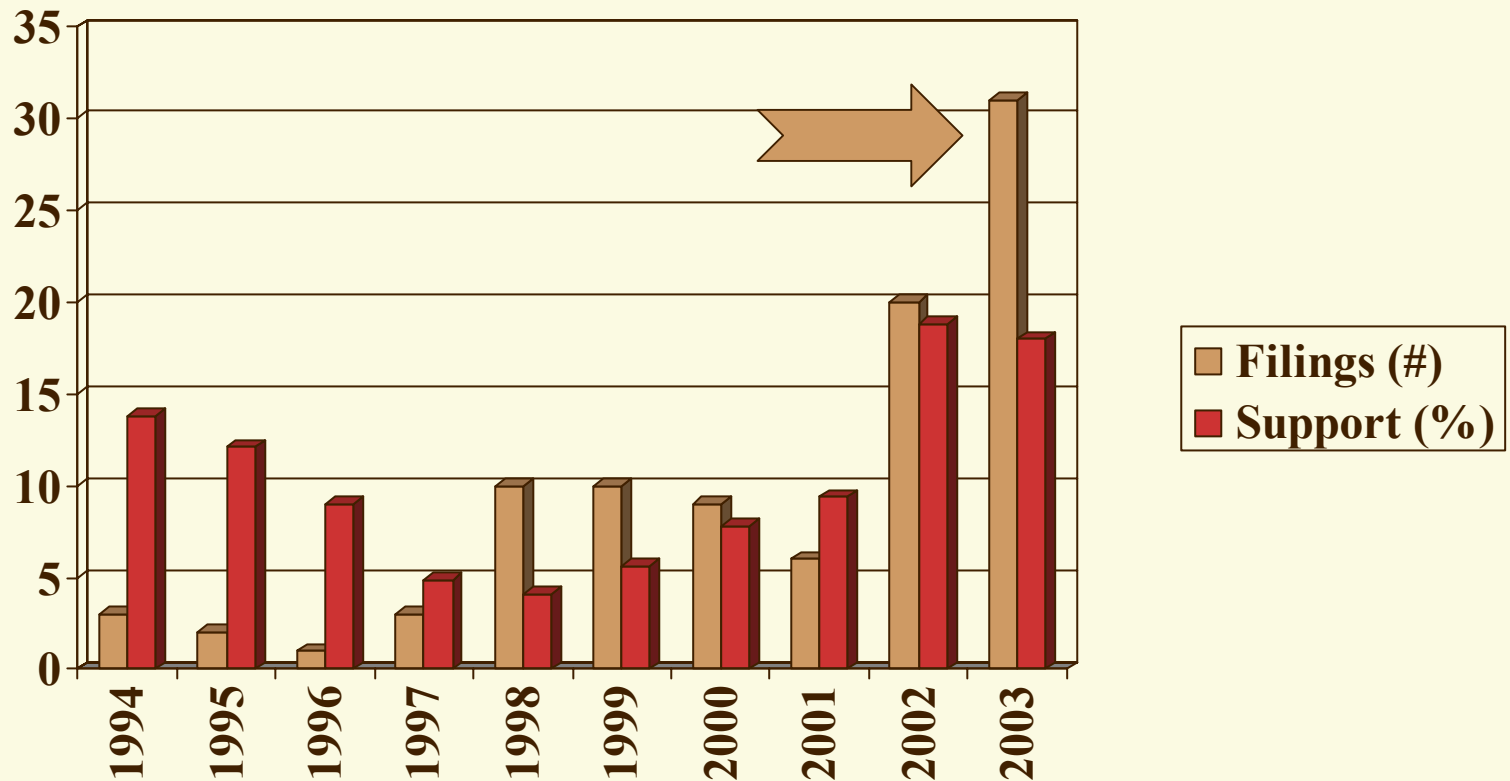
Complete
outsourcing

Guidelines
consulting

SmartVoter
software

Custom reports

Rising Shareholder Support for U.S. Corporate Climate Action



Filings have quintupled, support levels doubled since 2001.

2003 U.S. Shareholder Proposals: Widely Supported Campaigns

Social Issues

	<u><i>Avg. Support</i></u>
X Increase board diversity	(27%)
X EEO or gay anti-bias policy	(25%)
X Sustainability/GRI report	(24%)
X Climate change/renewables	(18%)
X Global labor standards	(11%)

297 Proposals Filed*

* As of June 30, 2003

Issues Addressed by Most Screened Portfolios

2001 SIF Report

1. Tobacco
2. Gambling
3. Alcohol
4. Weapons
5. Environment

2003 SIF Report

1. Tobacco
2. Alcohol
3. Labor
4. Environment

IRRC Products and Environmental Information

Corporate Environmental Profiles

- ✓ Government data: ~2100 companies, normalized by revenues, industry peer comparisons
- ✓ Survey data: questions on policies, management, performance, disclosure
- ✓ News
- ✓ Benchmarking, research

IRRC Products and Environmental Information

Portfolio Screener

- ✓ Government data
- ✓ Positive and negative screening elements
- ✓ Narrative
- ✓ Screening, benchmarking

IRRC Environmental Information Sources

- ✓ EPA (Compliance and TRI) domestic facility data on ~2100 companies
- ✓ Annual survey ~ 2100 companies
- ✓ Company reports and publicly available data sources (SEC 10-K, media)
- ✓ Why these sources?

Energy and Environmental Reporting as SRI Issues

- ✓ Very dynamic, links to Climate Change, shareholder advocacy
- ✓ Several groups doing new work on expanding/defining the issue (ENERGY STAR, GRI, CERES, Carbon Disclosure Project)
- ✓ CERES sponsored, IRRC authored, Corporate Governance and Climate Change

Energy Reporting

Energy

- ✓ **Policy:** Enterprise-wide energy management, Affiliations (ENERGY STAR), Climate Change, Renewables, etc.
- ✓ **Performance:** \$ saved, tons Carbon equivalent saved, % renewable used/generated, normalized numbers over time
- ✓ **Management:** Board responsibility, innovative programs.
- ✓ **Reporting:** Is all of the above public? For what percent of operations?

Climate Change Reporting

Climate Change

- ✓ **Policy:** What is it? Is it public? Does it cover all operations? Affiliations (Green Power Market Development Group)? Renewables? etc.
- ✓ **Performance:** \$ saved? Tons Carbon equivalent saved? % renewable used/generated? Product manufacture AND use? Normalized numbers over time.
- ✓ **Management:** Board responsibility, innovative programs.
- ✓ **Reporting:** Is all of the above public? For what percent of operations?



IRRC Environmental Information Initiatives

- ✓ ENERGY STAR and IRRC working together to present enhanced energy performance information to Financial Community
- ✓ Increased demand for positive elements such as ENERGY STAR participation are driving a shift in IRRC research methodology and product presentation. For instance, using Energy Star list as a positive screening element in *Portfolio\$creener*
- ✓ IRRC hoping to continue role in the CERES Sustainable Governance Project



PAX WORLD

ethical investing

Socially Responsible Investing: What, Why, How?

Jennifer Bonaccorsi
Social Analyst



PAXWORLD
ethical investing

Overview

- What is socially responsible investing?
- What do SRI investors look for in a company?
 - Why is Pax World Funds working with ENERGY STAR?
- Where do SRI investors get our information?

What is SRI?

- Aligning values with your money.
- Screening, shareholder activism, community development.
- SRI investors represent over \$2.18 trillion in assets under management in the U.S. 11.35% of money under professional management. (SIF 2003 Trends Report)

Social Screens

Pax World Funds seeks companies:

- **That produce goods and services that improve the quality of life.**
- **With sound environmental and pollution control policies.**
- **With fair employment policies and practices with regard to women, minorities, and persons with disabilities.**

Pax World Funds avoids companies involved in the manufacture of:

- **Defense or weapons related products**
- **Liquor, tobacco, and gambling related products or services.**

Top 10 Holdings

- **Amgen**
- **Vodafone**
- **Tribune**
- **SAP**
- **Philips Electronics***
- **Fannie Mae***
- **American International Group**
- **Starbucks***
- **Dell***
- **KeySpan***

** denotes an ENERGY STAR Partner*

ENERGY STAR & Pax World Funds

- Financial relationship between climate change and environmental practices.
- **A 2002 report by the Rose Foundation for Communities & the Environment found that fiduciaries should incorporate environmental factors into their portfolio management policies because “corporations who profit from environmental innovations and prepare for future environmental risks and exposures, can have a significant impact on corporate earnings potential, cash flow and growth opportunities.”**

Environmental Data Points

- Environmental management systems such as ISO 14001, in all areas of operation
- EPA violations and fines
- Superfund/Haz waste sites
- Civil and class action lawsuits
- Pollution reduction measures
- Environmental report, GRI
- Most important: Patterns
- ENERGY STAR - Proactive, quantifiable performance

What Pax World Wants to Know

- 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?

Data Sources

- Subscribe to SRI databases.
- Numerous government websites including: SEC, EPA, EEOC, etc.
- Company websites.
- General web searches.
- Direct dialogue with companies.

Conclusion

- Financial stakeholders are looking for companies to be open and effective communicators.
- Climate change is a financial issue.
 - Pax wants to hear how its holdings are responding
- Good communication from companies:
 - Increases the shareholder base
 - Increases company profitability



Questions & Discussion



ENERGY STAR

Upcoming Web Conferences

March 17 – Leveraging Public Dollars

April 21 – Using information service providers for automated benchmarking in Portfolio Manager.

www.energystar.gov/networking

Tunnessen.walt@epa.gov



Thank you for participating!