



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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STATE TREASURER PHIL ANGELIDES LAUNCHES 'GREEN WAVE' ENVIRONMENTAL INVESTMENT INITIATIVE TO BOLSTER FINANCIAL RETURNS, CREATE JOBS AND CLEAN UP THE ENVIRONMENT

*Landmark Environmental Initiative Will Boost Growing Economic Sector
and Reduce Risks to Pensioners and Taxpayers*

PALO ALTO, CA – State Treasurer Phil Angelides, joined today by environmental, labor and business leaders, launched a landmark environmental *Green Wave* initiative to bolster financial returns, create jobs and clean up the environment.

The four-pronged initiative calls on the State's two large public pension funds – the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) – to marry the jet stream of finance and capital markets with public purpose by committing \$1.5 billion to investments in cutting-edge technologies and environmentally responsible companies. The goal of the initiative is to improve long-term financial returns for pensioners and taxpayers through investments in the burgeoning environmental technology sector, while also reducing the risks to the pension funds posed by corporate environmental liabilities.

"Now is the time for California to catch the 'Green Wave' of smart, environmental investments and responsible corporate environmental leadership," Angelides – who sits on the boards of both CalPERS and CalSTRS – said at a news conference here at Nanosolar Inc., a maker of cutting-edge, lightweight plastic solar cells. "The environmental technology sector is expanding rapidly in response to the growing worldwide need for clean water, efficient energy sources, and other sustainable environmental solutions.

"We need to move forward now," the Treasurer added, "so California and our pension funds can capture this economic growth and create jobs, while at the same time clearing the air, land and water of pollutants through advanced solutions to our environmental challenges."

The Treasurer's *Green Wave* initiative calls on CalPERS and CalSTRS – the nation's largest and third largest public pension funds, with combined assets of \$250 billion – to implement the following four-pronged plan:

- **Demand Environmental Accountability and Disclosure.** Using their financial clout in the marketplace, and building on their track record of corporate governance leadership, CalPERS and CalSTRS would prod corporations to

provide meaningful, consistent and robust reporting of their environmental practices, risks and potential liabilities. Through a new environmental governance program, CalPERS and CalSTRS would encourage companies – through dialogue, shareholder resolutions and other actions – to improve their environmental operations and reduce their environmental risks and liabilities. As part of this effort, California’s pension funds would also join with other major U.S. investors to urge more comprehensive corporate reporting of environmental practices and liabilities. The coalition’s effort would include such actions as urging the Securities and Exchange Commission to strengthen environmental disclosure rules, and seeking corporate reporting on such critical financial factors as climate risk assessment and global warming.

“Shareholders need to know if the companies they own are going down the prudent path, by adopting environmental practices that will enable them to survive and thrive in a world of increasing environmental concern and regulation,” Angelides said. “Or, whether those companies are taking the path of denial, risk, liability and cost.”

- **Target Private Investment in Environmental Technologies.** Urge CalPERS and CalSTRS to invest a combined \$500 million in private equity investments, venture capital, and project financing to develop "clean" technologies that can provide the pension funds with positive, long-term returns, and that can create jobs and economic growth in California in the years ahead. Across the globe, demographic trends, public awareness, environmental crises and increased regulation and public policy attention are driving growth in the clean technology industry. Riding this “Green Wave” of technological innovation will allow CalPERS and CalSTRS to help build an industry critical to the State and nation, while earning those positive returns for pensioners and taxpayers and addressing environmental problems.
- **Invest in Stocks of Environmentally Responsible Companies.** Urge CalPERS and CalSTRS to invest a combined \$1 billion of their stock portfolios into environmentally screened funds through leading active public equity investment managers with proven track records. An increasing number of recent investment research studies have shown that environmentally screened funds are out-performing their non-screened counterparts. Investing in such funds will not only provide CalPERS and CalSTRS with the opportunity for enhanced financial returns, but will also send a strong signal to corporations about the added value of responsible, forward-looking environmental practices. Under this proposal, the performance of any manager selected must equal or exceed that of the funds’ existing, active managers.
- **Audit real estate portfolios to boost long-term value.** Call on CalPERS and CalSTRS to undertake a comprehensive audit of their respective real estate investments to determine whether the investments are maximizing their opportunities to use clean energy, energy efficiency and green building standards and practices that reduce long-term costs and boost long-term value. CalPERS

and CalSTRS have nearly \$16 billion invested in real estate and property in California, the nation and 22 countries throughout the world. CalPERS and CalSTRS own nearly 160 million square feet of office and industrial space alone.

Dr. Bob Epstein, co-founder of Environmental Entrepreneurs (E2), praised the Treasurer's initiative. "We believe the efforts announced today will provide superior financial returns for CalPERS and CalSTRS," said Epstein, whose organization is a national nonpartisan coalition of business leaders who support good environmental policy based on its economic merits. E2's environmental partner is the Natural Resources Defense Council. "From renewable energy to new types of materials," Epstein added, "the growing 'clean technology' markets can provide California economic growth, new jobs and more efficient businesses while also helping to make a cleaner, healthier environment."

Angelides said the *Green Wave* initiative is an outgrowth of a yearlong series of roundtable discussions with environmental technology and financial leaders across the nation, and the Institutional Investor Summit on Climate Risk held last November at the United Nations in New York, presented by CERES, a national coalition of investment funds, environmental organizations and public interest groups. The Treasurer was a speaker at the meeting.

Mindy Lubber, executive director of CERES, said today of Angelides' initiative, "This is a visionary plan of concrete actions investors can take to mitigate off-balance sheet risks posed by environmental threats like climate change, and to encourage investment in new opportunities. Treasurer Angelides' leadership should inspire other major investors to act to assure a safer, sounder, and more profitable future."

Also lending his support today to the *Green Wave* initiative was Art Pulaski, Executive Secretary Treasurer of the California Labor Federation. Pulaski pointed out that the Treasurer's proposal complements the California Apollo Project, an environmental program announced today in Los Angeles by Pulaski and a coalition of other labor, environmental and community group leaders. "The California Apollo Project is about changing our future," Pulaski said, "We need to see strong public investment in real job creation – not careless governmental spending or corporate tax breaks that create long term deficits. CalPERS and CalSTRS can see great investment returns, benefiting our public employees, and at the same time building the right state economy."

In crafting the new initiative, Angelides said he was also building on the lessons learned from the recent wave of corporate scandals. "There is a parallel between the corporate CEO who cooks the books to pump up the value of his company's stock while he is simultaneously looting the firm for his own gain," the Treasurer said, "and a corporation that increases its returns for a few quarters by exploiting the environment. The corporation that exploits the environment leaves behind *both* a damaged environment and, ultimately, a degraded company."

At the Treasurer's request, CalPERS has already begun studying a clean technology private equity program, with a goal of fashioning a broad, flexible and diversified portfolio of investments that can achieve positive returns in the emerging clean technology investment arena. The CalPERS staff on March 15 is expected to report on its research to the board.

In addition, the Treasurer has asked both CalPERS and CalSTRS to put the proposed initiative on their respective agendas for later this spring and summer. And on Wednesday, CalSTRS is expected to formally schedule those spring and summer dates for Investment Committee discussion and possible action.

The Treasurer's latest initiative follows upon his previous efforts that seek to achieve positive financial returns while serving a beneficial public purpose.

In 2000, for example, Angelides launched the *Double Bottom Line* initiative that has targeted California's state and pension investments in urban neighborhoods, yielding positive returns while spurring economic development in California communities. Since then, California has directed more than \$9 billion in capital into these communities, from equity investments in urban businesses to mortgages for working Californians in urban and rural neighborhoods, with initial returns showing positive gains on those investments, particularly during a time when the stock market tumbled.

Then in 2002, the Treasurer unveiled the *Power of the Purse* initiative, to focus the shareholder power of California's pension and investment funds in bringing about meaningful corporate governance reform and improved investment returns. This initiative recognizes that California's taxpayers and pensioners benefit when corporate standards are high and corporate operations are transparent for all to see.

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NOTE: Please visit the Treasurer's website, www.treasurer.ca.gov, for additional information on today's announcement, including: fact sheets on each of the four facets of the Treasurer's *Green Wave* initiative; a copy of the Treasurer's Nov. 21, 2003 United Nations' speech at CERES' Institutional Investor Summit on Climate Risk; and bios of the speakers who attended today's news conference.