

## **ENERGY EFFICIENCY RESOLUTION**

### **Commercial Building REITs**

#### **WHEREAS:**

Climate change is increasingly recognized as a serious environmental issue. Concerns about greenhouse (GHG) emissions and dependency on fossil fuels are leading to increasing interest in energy efficiency. This is particularly relevant for companies engaged in developing, owning and/or operating buildings. The commercial and industrial sectors contribute about 37% of the nation's GHG emissions, with buildings alone contributing 15%. A study by the U.S. Department of Energy estimates that commercial buildings account for 27% of total electricity consumption in the U.S.

Although the United States has not ratified the Kyoto Treaty, at least half of U.S. states are addressing global warming through legislation, lawsuits or programs to reduce GHG emissions. Climate change and its implications for long-term shareholder value are also the focus of increasing investor attention. In 2003 investors representing over \$10 trillion in assets signed on to the Carbon Disclosure Project asking companies to disclose emissions data and efforts to reduce them.

The Environmental Protection Agency (EPA) encourages companies to reduce GHG emissions and conserve energy through what is now a voluntary program, ENERGY STAR. In 1999 it introduced its national energy performance rating systems for buildings. The program provides assessment tools to help building managers achieve greater energy efficiency and realize associated cost savings. By the end of 2002, approximately 1,100 buildings nationwide had earned the Energy Star label and, as a group, these buildings use 40% less energy than the average building in the United States. Energy efficiency efforts are estimated to have saved businesses and consumers more than \$7 billion (net of investments in energy efficient technologies) in 2002

Because using energy more efficiently avoids emissions from power plants, avoids the need for new power plants and reduces energy bills, sizable benefits can accrue. The EPA estimates that during 2002 efforts under the program saved enough energy to power 20 million homes and avoid GHG emissions equivalent to those produced by roughly 18 million cars. Roughly half of these energy savings were from the commercial and industrial sectors.

Because REITs are among the largest real estate owners in the U.S., they can benefit from implementing a comprehensive strategy to improve energy efficiency. The EPA estimates that utility costs make up nearly 1/3 of a typical office building's operating expenses and that energy efficient operations can reduce energy bills for many businesses by 20 to 30 percent, leading to increased income and property values.

We believe that taking action to improve energy efficiency can result in financial and competitive advantages to the company. Conversely, inaction or opposition to emissions reduction and energy efficiency efforts could expose the company to regulatory and litigation risk, and reputation damage.

#### **RESOLVED:**

The shareholders request that a committee of independent directors of the Board assess how the company is responding to rising regulatory, competitive, and public pressure to increase energy efficiency and reduce greenhouse gas emissions and report to shareholders (at reasonable cost and omitting proprietary information) by September 1, 2005.