

Questions of CalPERS and Premier Pacific Vineyards from the Redwood Chapter, Sierra Club

**Redwood Chapter, Sierra Club meeting with Rob Feckner, April 29, 2005 at FountainGrove in Santa Rosa
Redwood Chapter, Sierra Club meeting with CalPERS investment officers and with PPV on June 1, 2005
at CalPERS Offices, Sacramento**

CalPERS is the largest, and one of the most successful, public retirement trust funds in the United States. CalPERS should be a leader in encouraging sustainable agricultural practices that avoid the depletion of scarce water resources and the destruction of forests, open space lands and native habitats.

In February, 2005, CalPERS announced a policy of seeking "Greater Disclosure of Environmental Data Under New Corporate Governance Initiative" and approved a plan to "shine light on corporate environmental liabilities, improving transparency and timely disclosure of environmental impacts." "Information is a necessary tool for investors," said Rob Feckner, Acting President of CalPERS. "Shareowners need information on environmental liabilities to make informed investment decisions and access costs associated with the impact to the environment." In March and April 2005 CalPERS made additional related announcements and actions, including a CalPERS workshop, "An Exploration into Environmental Investing".

An article in the February 15, 2005 San Francisco Chronicle stated that CalPERS trustees had voted to "...use its clout to pressure businesses to release more information about corporate effects on the environment. The vote is the final step in an effort by the California Public Employees' Retirement System to use environmental measures as one guide in its investments".

The Redwood Chapter of the Sierra Club applauds the goals mentioned, and appreciates the occasions afforded by CalPERS earlier to the Sierra Club to discuss our concerns. Despite these good intentions, however, the Sierra Club believes that CalPERS review of such projects has been deficient. The Chapter is deeply concerned about a use of CalPERS retirement funds that will contribute to deforestation of California's open space lands.

Increasingly, coastal forests of our North coast counties, especially Sonoma, Napa and Lake Counties, being converted for vineyard development leading to significant loss of Redwoods, Douglas Firs, mixed Oak woodlands and chaparral. CalPERS recently provided funding for a project (Preservation Ranch/Premier Pacific Vineyards, Inc.) that will destroy 1,900 acres of forested land in Sonoma County in order to develop vineyards on it. The project property involves a total of 19,000 acres, much of it forested. Potential environmental impacts from that project include increased sedimentation into creeks and rivers, percolation of pesticides and fertilizers into the watershed, the loss of habitat for wildlife and fish, the disruption of wildlife corridors, and reduced carbon dioxide absorption that will further contribute to global climate change.

The Gualala River watershed is in serious trouble from previous logging operations, and is now listed by State and Federal agencies for both temperature and sediment impairments. The slopes above the river have been over harvested by previous timber operations, which left the forest in large part even-aged, with intense competition among species – hardwoods

and commercial timber. The steepness, geology, and soil types are, in part and in combination with the intense harvest history, responsible for aggravated and accelerated erosion processes. Fishery and wildlife conditions in the Gualala basin have also suffered, and water supply in various regions of the watershed is also increasingly a serious problem. All of these existing conditions will place additional burdens placed on them on large scale industrial vineyard development.

While this project is of particular concern to the Redwood Chapter, it is only one example of the environment-impacting investments that CalPERS has been exploring. We believe that, in all cases, CalPERS should be undertaking environmental impact analysis as well as financial analysis prior to making a final investment decision. By including a thorough analysis of all of the likely environmental impacts and consequences early in the investment analysis stage, controversial and potentially environmentally detrimental investments, such as the Preservation Ranch project, could be avoided.

For more information: <http://redwood.sierraclub.org>

Questions from the Sierra Club re the Preservation Ranch project and CalPERS involvement:

The first group of questions is specific to the Preservation Ranch project:

1. What due diligence assessment and analysis of the business model, costs, and profit potential related to the project did they do? This includes assessment of the value of the properties purchased - including timber inventory, valuation, and timber production potential. Was assessment done by independent experts? What information did CalPERS have about the current conditions of the lands, prior to approving the investment? Particularly re stocking.
3. What specifics did CalPERS take into account re any restoration plans for the properties? The acreages and the nature of consultancy being contemplated in this regard, if any, and the type(s) of restoration contemplated (afforestation, reforestation, reclamation, rehabilitation)? What would be the time frames involved, and the projected growth rates?
4. Re restoration efforts: what plans were made to consider habitat fragmentation, diversity loss, microclimate impacts, and related ecological issues?
5. What did CalPERS learn about the plans for subsequent timber harvesting in regards to financing the project and financing restoration efforts? What are the silvicultural operations contemplated, and the amounts, and time frames? What is the expected yield?
6. What did CalPERS learn about the expected situation and the plans for water use, and water rights and permits? For erosion control and hydrological issues?
7. What were the road issues, and how much road maintenance and further road development is being planned? What further infrastructure will be necessary?
8. What were the projected soil impacts of conversions, and what chemical treatments are planned?
9. What were the plans for further development and possible subdivision of the property?

10. Has the project considered Scientific Certification Systems (SCS) (Forest Stewardship Council)?

General questions regarding CalPERS investments:

1. While the California Environmental Quality Act (CEQA) provides that the environmental impacts of a project must be identified, analyzed, and appropriate mitigation measures identified, this process usually starts after a project is well on its way to approval and development. By incorporating in its initial analysis of proposed projects, an approach such as (LESA) to rate various factors related to environmental concerns, CalPERS can ensure that projects would not be approved, or facilitated with state retirement funds that are detrimental to the environment, agriculture, wildlife and natural resources, Does CalPERS use the Land Evaluation and Site Assessment (LESA) Model when analyzing a proposed investment project before approval?

2. Are the environmental impacts analyzed and assessed before an investment project is approved and if so, how?

3. When reviewing investments related to agriculture does CalPERS consider any current restrictions on the land such as Williamson Act contracts and/or conservation easements?

4. Is conversion of prime soils taken into consideration?

5. Is water resource availability considered?

6. Is the amount and rate of soil erosion from project conversion analyzed for impacts to streams, soil loss, possible control features, etc.?

7. In agricultural related investments does CalPERS analyze the potential for creating leap frog development, growth driven development, general plan compatibility, alternative sites for the type of proposed investment?

8. Does CalPERS use a weighted calculation of various factors to determine negative impacts to the environment, soil erosion, wildlife habitat and wildlife corridor impacts, water availability and impact on underground aquifers, streams and rivers, and other environmental factors particular to the project area?

9. Would CalPERS cooperate with the Sierra Club to develop a version of LESA or other rating model to incorporate along with the financial investment analysis in determining whether to approve or disapprove an investment if the environmental impacts are detrimental?