

GS SUSTAIN: Climate change

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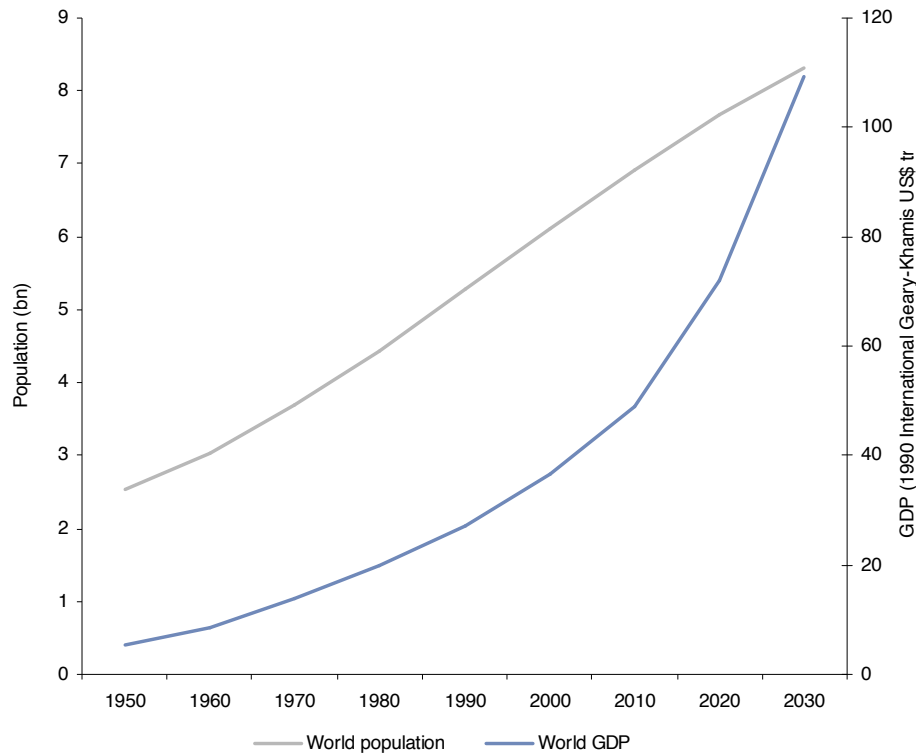
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Agenda

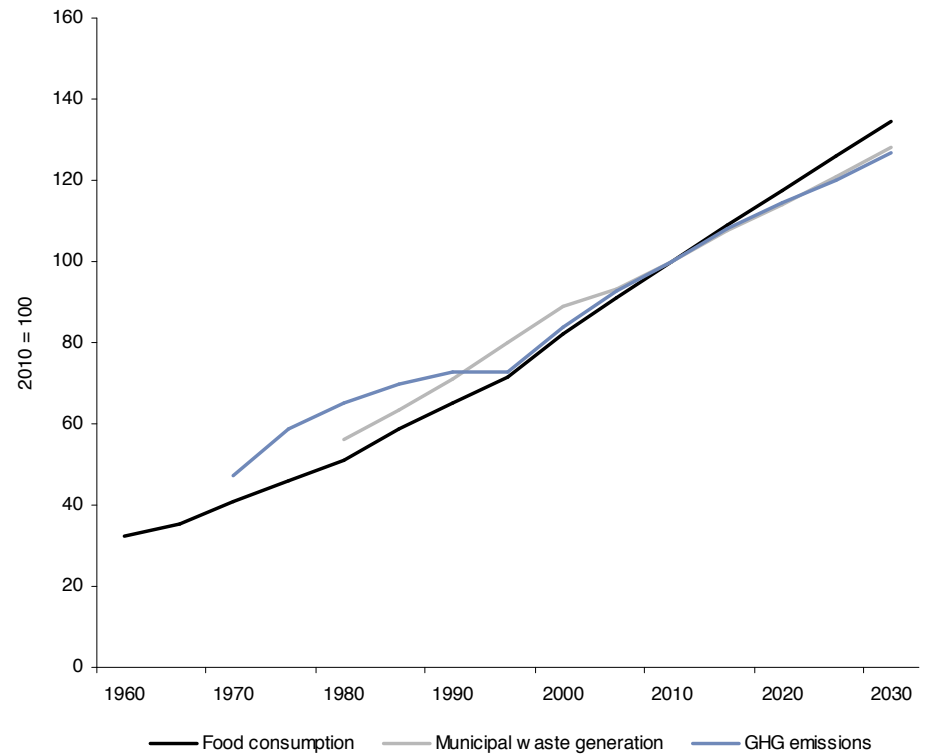
- *GS SUSTAIN research identifies long-term investment opportunities stemming from structural change in global industries*
- *Social and political responses to climate change represents a material issue for companies across all sectors*
- *GHG emissions are rising with population growth and rising wealth levels*
- *We are approaching a tipping point in the social & political momentum behind climate change adaption*
- *News flow and regulation are rising*
- *Costs of GHG emissions will need to rise significantly*
- *We apply a consistent, objective framework to identify the best positioned companies*
- *Company responses to climate change's challenges & opportunities are varied*
- *Climate change leaders we identified have outperformed*

GHG emissions are rising with population growth and rising wealth levels

Growth in the global population and economy has combined ...
Global population and GDP



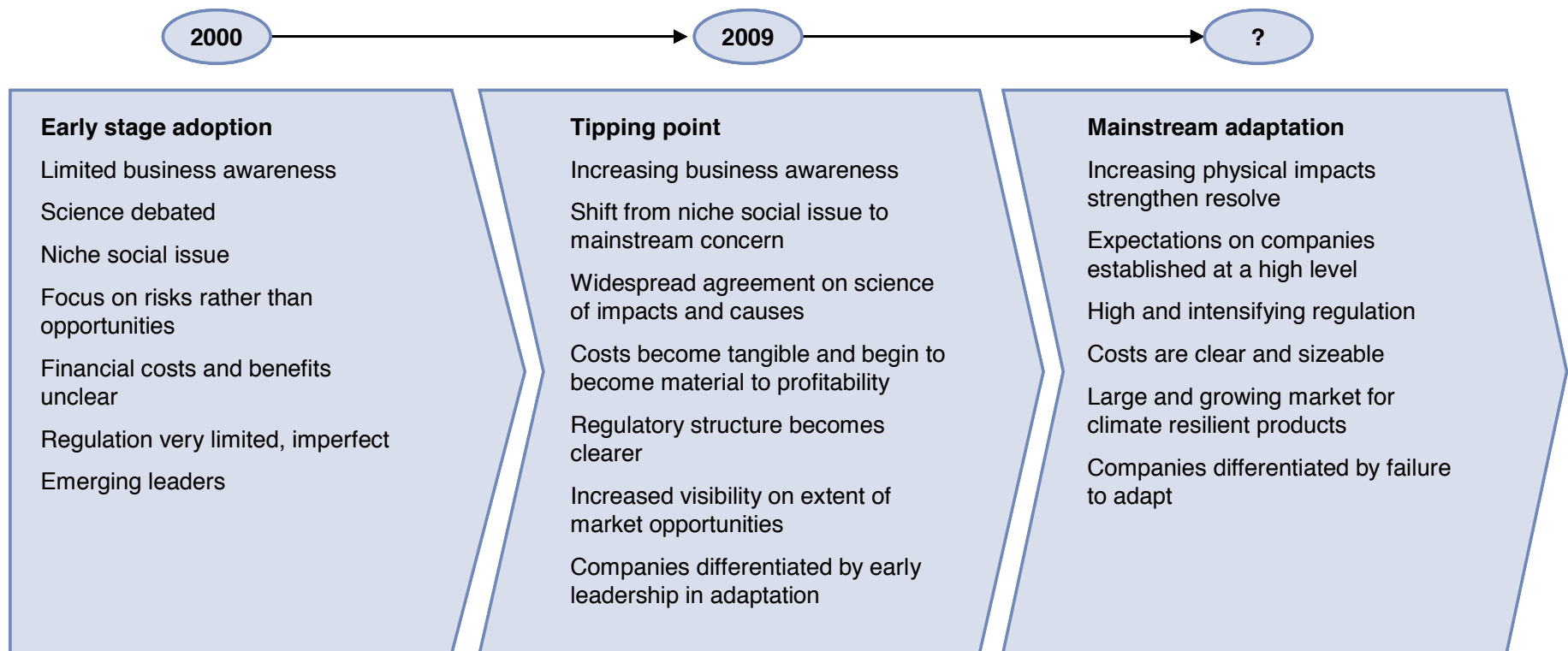
... creating increasing demands on natural resources
Food consumption, municipal waste generation & GHG emissions



Source: 2008 Climate Change Confidence Monitor survey of 12,000 people across 12 economies, Factiva, Goldman Sachs Research.

We are approaching a tipping point in the social & political momentum behind climate change adaptation

Climate change has been established as a mainstream social concern: the result will be an acceleration of the pace of change forced on industries

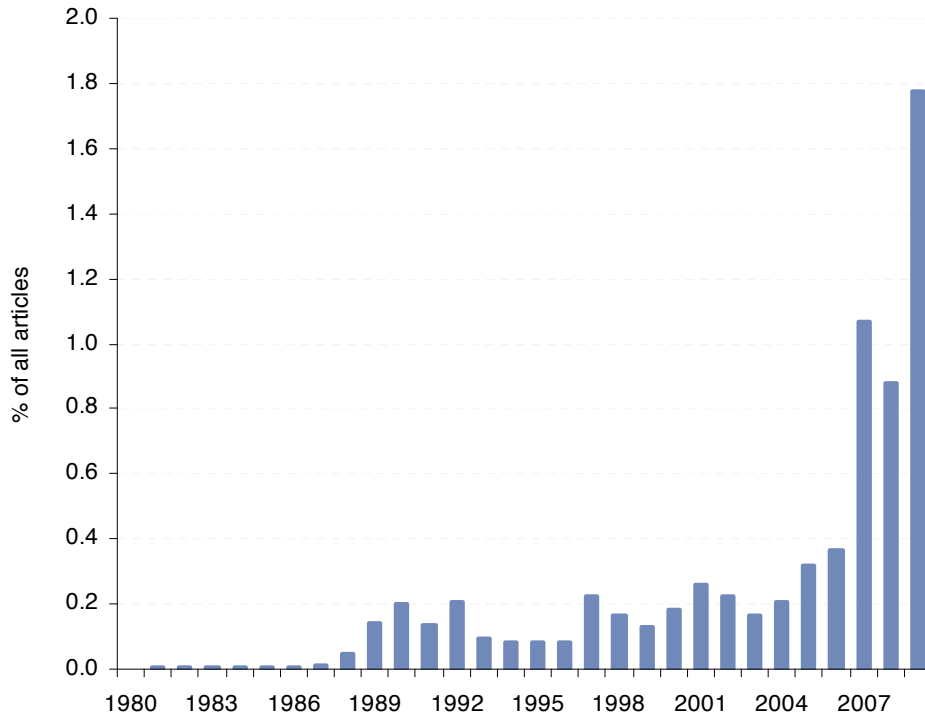


Source: Acclimatise, Goldman Sachs Research.

News flow and regulation are rising

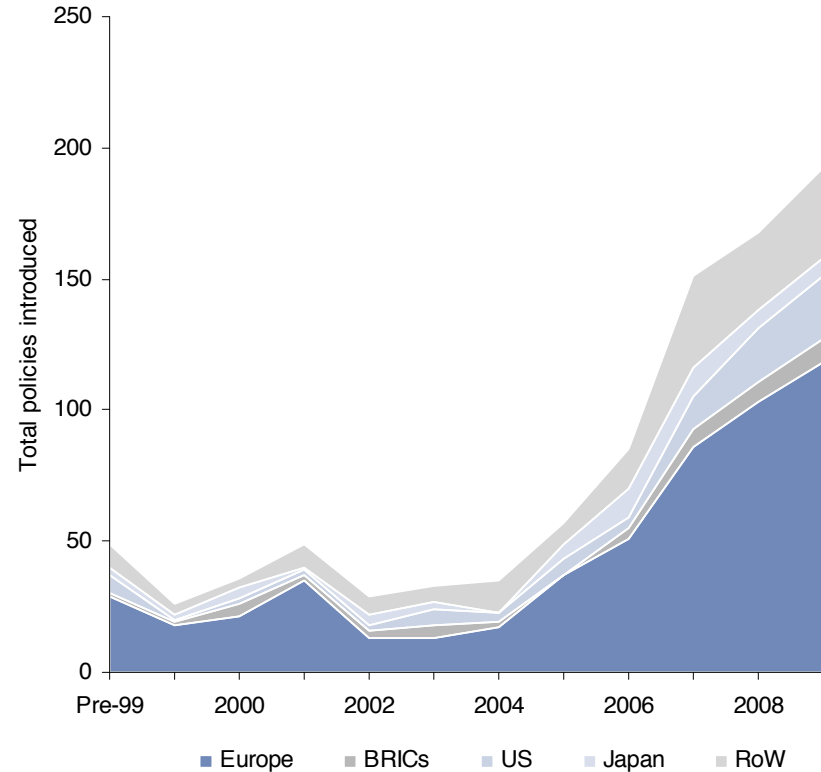
Climate change coverage has moved beyond a niche issue

% of global media articles referencing climate change / global warming



An increasing number of climate change related policies have been introduced globally

Number of climate-change related policies introduced annually

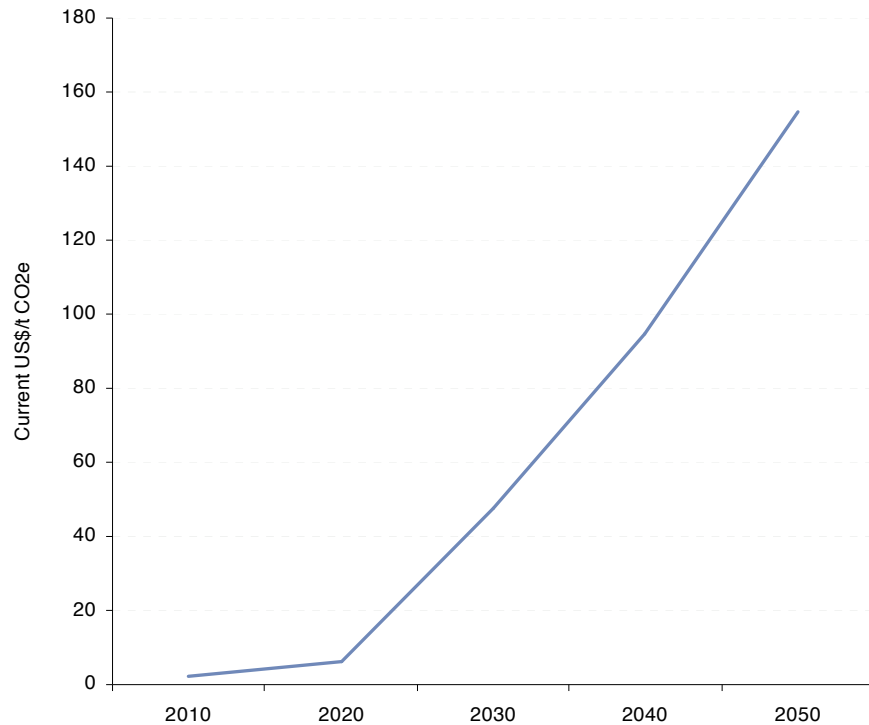


Source: Factiva, IEA, Goldman Sachs Research.

Costs of GHG emissions will need to rise significantly

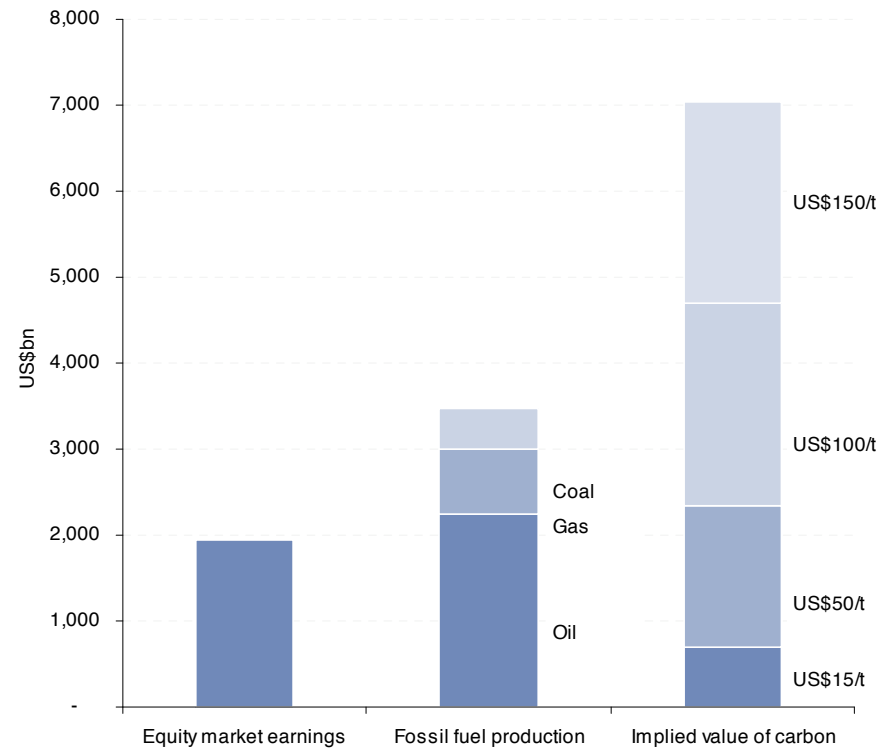
Penalties – direct or through lost opportunities – for carbon emissions likely to rise significantly

Minimum carbon emission penalty required to necessary emissions reductions needed to stabilize global temperature



Carbon emissions could be worth as much as 5x the earnings power of global companies

Implied value of carbon emissions vs. comparators at different carbon costs

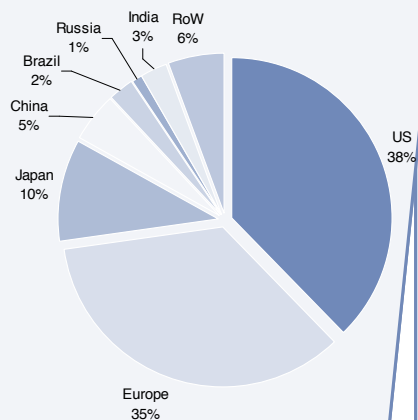


Source: OECD, Goldman Sachs Research.

We apply a consistent, objective framework to identify the best positioned companies

Universe of ~800 global companies with market cap >US\$3bn, with market value equivalent to ~90% of MSCI World

Geographic breakdown of companies assessed by market cap



20-25 data points collected for each company from companies' public reporting

Data sourced from companies' public reporting including submissions to the Carbon Disclosure Project, Sustainability reports and other public disclosures

Scores calculated in 10-12 indicators based on objective, transparent definitions of scores

10-12 indicators combining common and industry-specific measures in four categories:
 1) Leadership & transparency
 2) Management of own operations
 3) Supply chain management
 4) Product development

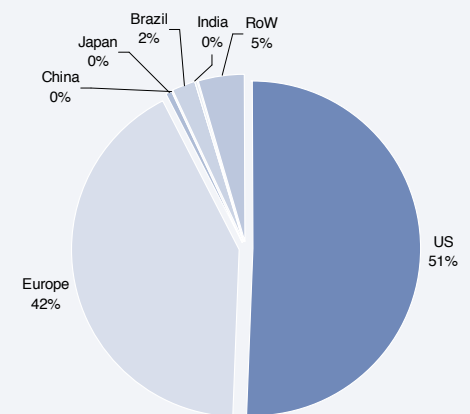
Indicators combined into an overall climate change management score for each company

Weights applied to indicators to align the significance of each indicator in the overall score with each industry's business models and exposures to climate change issues

Companies with first quartile climate change performances and above-average return on capital highlighted

Leaders highlighted in four categories:
 • 24 Abatement Leaders in carbon intensive industries
 • 65 Adjustment Leaders in less intensive industries
 • 19 Solutions Providers in fast growing new markets

Geographic breakdown of leaders identified by market cap

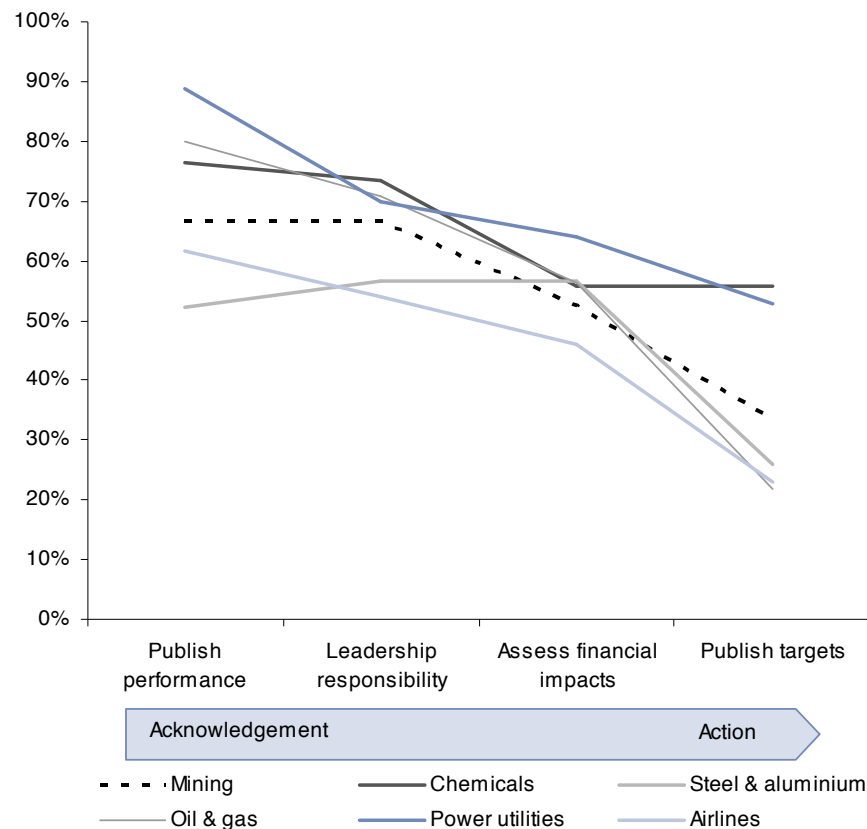


Source: Goldman Sachs Research.

Company responses to climate change's challenges & opportunities are varied

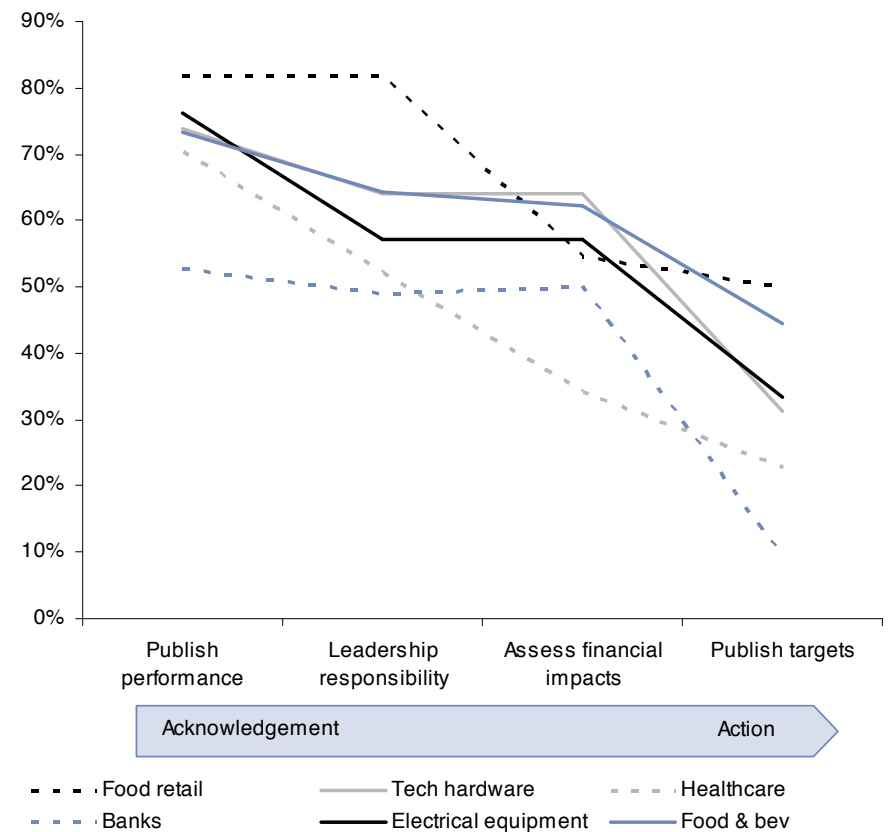
Proportion of companies assessed taking action in different steps: Major carbon intensive industries

% of companies in each industry with policies at different levels of action



Proportion of companies assessed taking action in different steps: Less carbon intensive industries

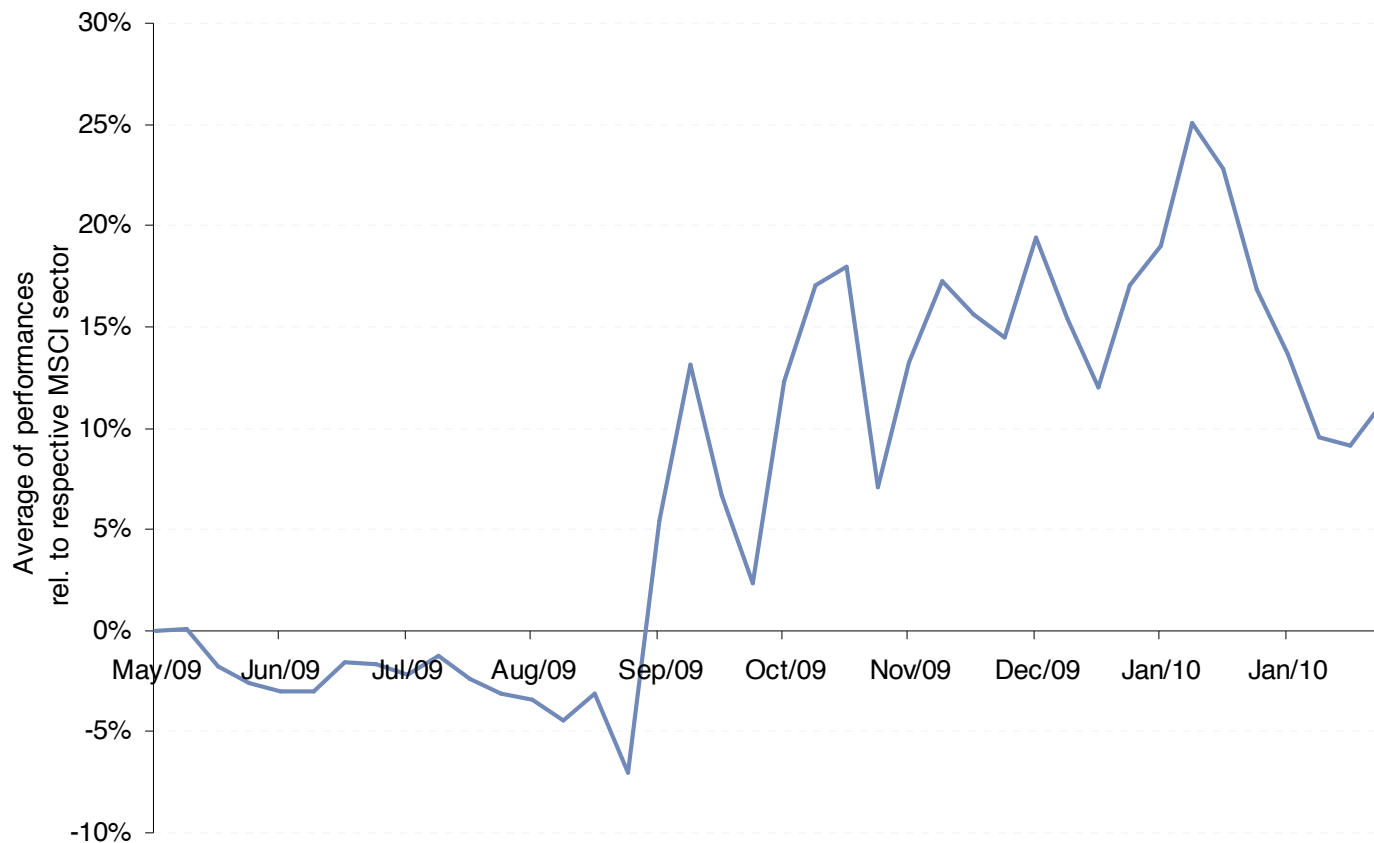
% of companies in each industry with policies at different levels of action



Source: Carbon Disclosure Project, Goldman Sachs Research.

Climate change leaders we identified have outperformed

The climate change leaders identified in our research have outperformed their respective global sectors since May 2009
 Equal-weighted performance of Climate Change leaders relative to respective MSCI World sector indices



Further details of GS SUSTAIN climate change research are available at the GS website, <http://www2.goldmansachs.com/ideas/environment-and-energy/goldman-sachs/gs-sustain/index.html>

Source: MSCI, Datastream, Goldman Sachs Research.

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April 7, 2010

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