



Goldman Sachs Environmental Policy: 2006 Year-End Report

The Goldman Sachs Environmental Policy Framework, established in November 2005, embodies the philosophy that capital markets are an important source of creative ideas and an important way to help address today's environmental challenges. In a little over a year, we have made considerable progress towards meeting the Framework's objectives. And, importantly, our people have demonstrated tremendous enthusiasm and interest in the myriad ways in which our business activities impact the environment.

The Framework is built around Goldman Sachs' ability to contribute to a healthy environment through various areas of our business. A few highlights of our efforts to date include:

- We invested over \$1.5 billion in alternative energy/clean technology worldwide.
- The Goldman Sachs Center for Environmental Markets made grants of \$2.3 million towards research focused on finding market-based solutions to climate change challenges.
- Our Global Investment Research division established a rigorous approach to evaluating the Environmental, Social, and Governance (ESG) risks for industry sectors and individual companies.
- We invested in ASSET4 Ltd, a leading provider of extra-financial ESG data on global corporations, as part of our commitment to increase ESG research.
- Our Investment Management division launched a new Socially Responsible Large Cap Strategy fund in December 2006 which, among other things, evaluates environment, community support and corporate governance aspects of potential investments.
- The firm's Corporate Services and Real Estate team completed a worldwide training program on green building standards for all new Goldman Sachs construction worldwide.

From investments and market making, to research and corporate services, Goldman Sachs is finding effective, market-based opportunities to positively impact the environment through our businesses. This effort is consistent with our central business objective of creating long-term value for our shareholders and serving the best interests of our clients.

INVESTMENTS AND MARKET MAKING

Investments

As part of our Framework, the firm committed to make available up to \$1 billion for investments in alternative energy. By the end of 2006, the firm had surpassed this goal and has over \$1.5 billion invested in alternative energy projects in the US, Europe, and Asia. Goldman Sachs will continue to pursue viable investment opportunities in alternative energy/clean technology. Some of the sectors that we have invested in include:

- Cellulosic Ethanol: Iogen built and operates the world's only functioning demonstration-scale plant to convert biomass to cellulose ethanol using enzyme technology.
- Wind: Horizon Wind Energy is one of the largest wind farm developers/owners in the United States. Horizon expects to own 1,324MW of generating capacity by the end of 2007.
- Solar PV Integration: SunEdison is one of the largest solar photovoltaic installer/integrators in the United States
- Solar PV Manufacturing: First Solar manufactures "thin film" PV panels and has created a proprietary Cadmium Telluride (CdTe) PV module technology.
- Wind Turbine Manufacturing: Nordex is a leader in multi-MW turbine technology, the fastest growing segment in wind generation.

Market Making

We continue to act as a market maker in carbon emissions trading. Goldman Sachs has been engaged in the carbon emissions market since January 2005. The carbon emissions business has focused on the European market since the EU European Trading System (ETS) was established as part of the Kyoto Protocol. We have senior traders dedicated to making markets and taking principal risk positions in emission credits. They are supported by global sales and strategy teams in London, New York, Tokyo and Singapore.

Goldman Sachs is involved in a variety of activities in the carbon emissions market including: originating projects, purchasing forward credit streams, and marketing credits to our diversified client base. In addition to OTC spot and forwards, electronic futures and cash settled swaps, we trade options and market unique hybrid baskets. Emission price risk has become integrated into the liability hedging concerns of our corporate client base. The hedging of emission credit price risk has become an important part of our commodities hedging business

In September 2006, Goldman Sachs made a minority equity investment in Climate Exchange PLC, which owns the US and European trading platforms, Chicago Climate Exchange (CCX) and European Climate Exchange (ECX). We remain focused on identifying other market-based opportunities and continue to monitor policy and regulatory developments in carbon markets, both in the U.S. and internationally.

BUSINESS SELECTION AND RISK MANAGEMENT

Goldman Sachs believes it is important to take the environmental impact and practices of our clients and potential clients into consideration when we make business selection decisions. This past year we began to apply the guidelines in our Environmental Policy Framework relating to underwriting transactions, the initiation of loans, and investment banking advisory assignments where the use of proceeds is specified to be used for potentially environmentally damaging projects and where Goldman Sachs is the lead book runner or arranger. We have made significant progress in training our people to recognize

environmentally-sensitive projects and incorporate the consideration of environmental factors as part of our due diligence processes including:

- Global due diligence and business selection training for our Investment Banking teams in Asia, Europe, and the US with respect to the guidelines.
- Working with multiple teams in banking, principal investing, merchant banking, and fixed income to assess the environmental risks of transactions.
- Enhanced review of environmental due diligence by key committees.

Goldman Sachs will continue to work with clients, external stakeholders, experts and shareholders to identify key environmental issues in advance as they relate to our businesses.

RESEARCH

Goldman Sachs expanded its commitment to incorporate environmental, social and governance (ESG) criteria into fundamental analysis of companies. This year we:

- Broadened our assessment of the impact of ESG issues to cover several more sectors, which we anticipate will help to establish the business case for sustainable development and to develop best-in-class investment research.
- Covered over 40 alternative energy companies in Europe, North America and Asia and published reports on the solar, wind and biofuel sectors.
- Met with clients to discuss environment-related issues and trends to better understand their needs and the challenges they face.
- Participated in and convened meetings/seminars with clients, investors, and other experts to discuss ESG issues and identify market trends within industries and sectors.
- Entered a strategic relationship with ASSET4, a leading provider of extra-financial data, specifically ESG data on global corporations.

Goldman Sachs Global Investment Research (GIR) has a full-time team dedicated to integrating ESG issues with industrial analysis and valuation on a sector-by-sector basis, including energy, mining and steel, and media. In addition, GIR looks to identify investment opportunities related to alternative energy, water, carbon finance, and other emerging ESG issues.

The ESG sector analyses and reports on alternative energy, carbon and water have been driven by increased investor interest in sustainability and governance issues, increased regulation and the impact that such factors have on company performance and equity valuation. The GIR team has been focused on developing objective metrics and a rigorous analytical framework for ESG analysis and has worked to better integrate these issues with fundamental equity analysis across all sectors. In addition to producing ESG framework studies, the London-based ESG Research team also serves as a hub for research focused on alternative energy, carbon finance and water sector opportunities produced by our global sector analysts. Some of the reports produced by the GIR team include:

- **Global Energy ESG:** This report titled “Global Energy: Sustainable Investing in the Energy Sector” was first published at the “Who Cares Wins” United Nations Environmental Program Financial Institutions (UNEP FI) Conference in February 2004 and was updated in October 2006. The Global Energy ESG report develops a framework for sustainable investing in the energy sector by creating an index to measure environmental, social and governance performance of companies, including measures for overall management quality. The ESG framework assesses company performance based on 28 objective and quantifiable criteria and finds a strong correlation between ESG performance and exposure to new legacy assets, showing that leaders on both measures have outperformed their peers.
- **Europe Media ESG:** GIR’s second ESG sector study was published as part of a UNEP FI conference in February 2006. Using the same methodology developed for *Global Energy*,

European Media ESG assesses companies based on 31 ESG criteria, industry leadership and cash returns, with a greater focus on the role of corporate governance in a highly acquisitive sector. The report shows a clear link between leadership on ESG issues and long-term financial performance as measured by cash returns.

- **Global Water:** GIR released a sector primer in June 2005 that details the demand and supply dynamics for water and the investment opportunities in the US\$365 billion global water market. The report also highlights the companies best positioned to succeed in the growing global market for higher-technology water treatment, such as ultraviolet disinfection, ultra filtration, and desalination, as utilities upgrade existing water infrastructure.
- **Global Alternative Energy:** In February 2004 GIR released a report on alternative energy which predicted that within 5-10 years renewable energy sources would start to make a significant impact in terms of the world's supply of energy. Concerns over the security of hydrocarbon supply and climate change are accelerating these trends. While we believe that fossil fuels will play a significant role for the foreseeable future, renewable energy sources are increasingly important.

Please see Appendix A for a selection of reports we have published for our clients.

ASSET4

In 2006, Goldman Sachs acquired a global license to incorporate ASSET4's environmental, social and corporate governance (ESG) data and methodology into investment research, benchmarking, portfolio monitoring and risk management processes. ASSET4 offers the largest database of corporate financial and extra financial information tracking 250 economic, environmental, social and governance factors associated with various industries and companies. The ASSET4 system enables users to see beyond the financial aspects of companies and benefit from an integrated perspective on corporate performance. Goldman Sachs made a minority equity investment in ASSET4 and will help market the ASSET4 system to our clients globally.

CENTER FOR ENVIRONMENTAL MARKETS

As part of our commitment to the policy debate, Goldman Sachs established the Center for Environmental Markets to undertake independent research, in conjunction with partners in the academic and NGO communities, into public policy options for establishing effective markets around climate change, biodiversity, conservation and ecosystem services.

The Center made three major grants in 2006:

Resources for the Future (RFF): The Center has partnered with RFF's Climate and Technology Policy Program to advance intellectually credible and politically sensible approaches to dealing with climate change. This project brings together companies from across the spectrum of the U.S. economy with the intent to provide legislators with well-vetted, detailed policy options, important criteria for policy assessment, and well-articulated concerns (specifying strengths and weaknesses) from which effective federal policy might be crafted. The project will not aim for consensus, but will seek to articulate the various trade-offs of regulatory policy for the affected industries.

World Resources Institute (WRI): The Center has partnered with WRI for a two-year project to analyze the viability of the various technology options that could be deployed both in the U.S. and elsewhere to reduce greenhouse gas emissions and diversify the world's energy sources, including coal gasification, biofuels, renewable power, and carbon capture and storage, among others. The project will assess the financial and market barriers to deployment and scale-up of each technology, and the government

policies and economies of scale needed for rapid deployment and delivery of the technologies to the market. The project will also include two in-depth reports analyzing the specific opportunities and issues associated with two of the most promising of the options developed.

Woods Hole Research Center (WHRC): As part of a commitment to the Clinton Global Initiative, the Center has partnered with the WHRC on a three-year project to examine how to value forest ecosystems and analyze economic alternatives to cutting valuable rainforests. Competing demands on forests for land, soils, water, vegetation and carbon capture necessitate a method of valuing these ecosystems and their associated services in determining the true costs and benefits in making decisions on land usage. This project aims to understand how to value sustainable management of forest ecosystem resources and services at the local, national, and international levels.

All three research projects are currently underway and we expect to begin releasing the results of these projects in 2007. Goldman Sachs will also host at least two conferences, one in London and one in New York, on energy, environment and opportunities in climate change.

DIRECT IMPACT

Our Environmental Policy Framework has inspired our services teams worldwide to propose new ideas on how best Goldman Sachs can reduce its environmental impact. The Corporate Services and Real Estate group has taken a lead in identifying the most effective ways for Goldman Sachs to reduce the impact of our operations worldwide. They have developed a comprehensive approach that ranges from addressing our carbon footprint to the paper we print to the coffee and water that we drink. Cogentrix Energy, Inc., a wholly owned independent power plant operator, also developed a reporting system and continued to make its operations more efficient and safe. Additional highlights in 2006 include:

- Development of an environmental reporting system to calculate our worldwide emissions from our facilities and from Cogentrix's facilities.
- Development of green building standards for all of our new construction and major renovation projects.
- Introduction of environmentally responsible products and services into our operations.
- The on-going integration of our Environmental Policy Framework into our procurement contracts.
- Creation of environmental consciousness committees in some of our offices.
- Cogentrix investment in GridPoint, a technology that helps consumers and utilities use energy more efficiently and reduce wasted energy.
- Recipient of the Pennsylvania Governor's Award for Environmental Excellence for Cogentrix's Scrubgrass Generating Co., a mine reclamation project that transformed a formerly abandoned mine site in Clearfield County into an environmentally viable property capable of supporting diverse vegetation, wildlife and aquatic species.

Corporate Services and Real Estate

Greenhouse Gas Emissions

As part of our Policy, Goldman Sachs committed to reducing indirect greenhouse gas emissions from its leased and owned offices by 7% by 2012, using 2005 as the baseline. This year, we successfully developed a system and collected the data to develop the 2005 baseline. Reporting was based on indirect emissions from all Goldman Sachs-occupied office facilities and data centers, as well as the offices of our wholly owned subsidiaries.¹ Over the next year we will develop a strategy to achieve our emissions reduction goal. The firm was a signatory to the Carbon Disclosure Project in 2006.

¹ The firm's emissions were based on verifiable utility data. Where such data was not available, information was estimated based on actual usage by similar properties. Analysis of carbon emissions was based on occupied square feet.

2005 Carbon Emissions Baseline

At the end of fiscal year 2005, total indirect carbon emissions from Goldman Sachs' 98 occupied core office facilities totaled approximately 199,472 metric tons of carbon from electricity, oil, steam and gas.² (Please see Appendix B for more details on methodology.)

Global Carbon Emissions Summary	Absolute Value
	2005 Baseline
Global Facilities Reported	98
Total Area	10,949,614 SF
Total Occupied Area	8,171,679 SF
Total Global Full-Time Employees	29,737
ACTUAL UTILITY CONSUMPTION	
Electricity	363,054,103 kWh
Gas	1,200,201 Therms
Steam	27,292 Mlbs
Oil	53,830 Gallons
CARBON EMISSIONS EQUIVALENTS	
Electric – Metered	174,858 Metric Tons
Electric – Estimated	16,042 Metric Tons
Gas – Metered	6,361 Metric Tons
Steam – Metered	1,657 Metric Tons
Oil – Metered	554 Metric Tons
TOTAL GLOBAL CARBON EMISSIONS	199,472 Metric Tons

The 2005 baseline report was verified by our environmental consultant, Viridian Energy & Environmental, LLC (formally Steven Winter Associates.). We also consulted with World Resources Institute (WRI) and the U.S. Department of Energy (DOE) to ensure we developed a consistent and transparent reporting system.

Green Buildings

Goldman Sachs has been a leader in developing green building standards for its buildings. In 2000, five years prior to the publication of our Environmental Policy Framework, we built our 30 Hudson building in Jersey City, NJ to meet Leadership in Energy and Environmental Design (LEED) whole building standards. To further demonstrate our commitment, this year Goldman Sachs developed uniform green building standards for use in the construction and major renovation of our facilities. The standards are designed to ensure that we meet the intent of LEED Gold certification or other whole building standards on all future projects. Our global real estate team has been trained on implementing the standards.

Goldman Sachs' New Headquarters: We are working towards LEED Gold certification for our new world headquarters in New York, which is scheduled to be completed in 2009. The building is designed to maximize the efficiency of building operations and space, while creating a healthier work environment for our people. Some of the key environmental features include:

- Storm water retention system
- Green roof
- Steam condensate reclamation for re-use and water efficiency in building systems
- Storm water to offset irrigation requirements and cooling tower make-up water
- Low flow fixtures
- Ice storage and chilled-water cooling system

² The emissions data only captures actual usage from metered facilities greater than 5,000 square feet.

- Forest Stewardship Council (FSC) certified wood
- Under floor air delivery system
- Daylight harvesting systems

30 Hudson: Upon completion in 2004, our 30 Hudson building in Jersey City was the largest commercial facility in the world to achieve LEED Certification. 30 Hudson also received the first annual *Designing & Building with FSC* award for furthering responsible forest management through the use of FSC-certified wood products. One hundred percent of the interior wood is FSC certified. Other innovative features include:

- Storm water retention system
- Roof designed to meet EPA Energy Star Roof requirements
- Reduced light pollution, improved night sky access and mitigated impact on avian migration
- Water efficient landscaping to limit or eliminate the use of potable water for landscape irrigation
- Building products made from recycled content
- Water usage reduced by 20% and maximized water efficiency
- Ozone depletion reduction goals and support of early compliance with Montreal Protocol
- Low-emitting materials to reduce the quantity of indoor contaminants

71 South Wacker: In September 2006, the renovation of Goldman Sachs' 71 South Wacker building in Chicago, Illinois achieved LEED CI (Commercial Interiors) Pilot Certification.

Responsible Products and Programs

In 2006, we reviewed the products and services we purchase to run our daily operations and undertook to implement a wide range of more environmentally responsible practices. We are excited about how well our efforts were received by our service providers and the people of Goldman Sachs.

As a result of our review, Goldman Sachs increased the use of recycled and environmentally certified wood, paper and print products, used more energy efficient equipment, and purchased more organic and sustainably harvested products and supplies. We also developed environmentally sound procurement practices and incorporated environmental criteria into our supplier selection and review processes. Our progress on each of these efforts is detailed in Appendix C.

Cogentrix

Greenhouse Gas Emissions

Goldman Sachs owns Cogentrix Energy, Inc., an independent power plant operator in the United States. As part of our Environmental Policy Framework, Goldman Sachs undertook to report on greenhouse gas emissions, reduce direct carbon emissions whenever practical, offer our plants as a demonstration sites for innovative technology where economically feasible, and analyze reduction opportunities and consider potential offsets. Cogentrix has met all of these undertakings as they relate to it and continues to look for opportunities to advance its efforts.

In reporting on its carbon emissions, Cogentrix adopted the general reporting protocol of California (see Appendix B) because of its accuracy in capturing the use of export steam in cogeneration to calculate the emissions per MW. The numbers reported below are direct emissions only, i.e., those emitted as a result of the total power generation of electricity and steam.

Total Carbon Emissions Summary	Solid Fuel Sites	Gas Fuel Sites	Total
Total Site Emissions			
Total power generation CO ₂ emissions (tons)	16,891,384	3,864,995	20,756,379
CO ₂ emissions for energy production (tons)	16,169,124	3,864,995	20,034,118
Net MW generated	13,461,812	8,057,192	21,519,004
Gross MW generated (net + steam)	14,735,150	8,057,192	22,792,343
Ton CO ₂ per net MW	1.20	0.48	0.93
Ton CO ₂ per (net + steam) MW	1.15	0.48	0.91
Site Percentage Ownership Based Emissions			
Total power generation CO ₂ emissions (tons)	15,303,616	2,682,298	17,985,914
CO ₂ emissions for energy production (tons)	14,613,854	2,682,298	17,296,152

Our Cogentrix team actively seeks opportunities to mitigate the environmental impact of its operations. This year we offered one of our plants as a demonstration site for, and made a sizeable investment in, technology that promotes greater energy efficiency.

Carbozyme, Inc.: In October 2006, the US Department of Energy (DOE) announced that Cogentrix's coal-fired plant in Monmouth Junction, NJ, had been selected as one of nine grant recipients to partner with Carbozyme, Inc. in the development of a new technology to capture and permanently sequester its carbon dioxide (CO₂) emissions. Carbozyme, Inc's enzyme-based flue gas cleanup technology for CO₂ and other pollutants is being designed to achieve near-zero emissions.

GridPoint, Inc: In September 2006, Goldman Sachs made a \$21 million investment in GridPoint. GridPoint has developed a technology that serves as an intelligent gateway between the electric grid and renewable energy sources. GridPoint's technology allows utilities to modulate air conditioners, water heaters, and other appliances for those customers who wish to use the technology in exchange for a reduction in their utility bills. Additionally, GridPoint provides utilities the ability during peak demand periods to access energy stored at a customer's site from either batteries or a distributed generation source such as solar panels, wind turbines, or fuel cells. Cogentrix will market GridPoint Inc. to electric utility companies nationwide.

Scrubgrass Mine Reclamation: Scrubgrass Generating Co. received the Governor's Award for Environmental Excellence from Pennsylvania Governor Rendell for a mine reclamation project that has transformed an abandoned strip mine in Chest Township, Clearfield County into an environmentally viable site capable of supporting diverse vegetation, wildlife and aquatic species. The reclamation project began in 1993 and was completed in May 2005. About 445,000 tons of coal refuse was removed and taken to the Scrubgrass cogeneration plant in Kennerdell, Venango County. The 59-acre site has been reclaimed and re-vegetated, improving the quality of water that enters Chest Creek, decreasing metals loading, halting erosion and sediment runoff.

TIERRA DEL FUEGO

During 2006, Goldman Sachs, together with the Goldman Sachs Charitable Fund (GSCF), continued its efforts to establish a nature reserve for the benefit of the people of Chile, in the region of Tierra del Fuego. The undertaking has developed apace and continues to be well received both in Chile and the United States.

This initiative began in February 2002, when Goldman Sachs acquired defaulted debt which was collateralized by 640,000 acres of relatively pristine forest, now known as Karukinka, in Tierra del Fuego.

On Sept. 10, 2004, Goldman Sachs announced that the property, along with significant financial resources, was being transferred to the Wildlife Conservation Society (WCS), the respected international conservation organization based at the Bronx Zoo in New York City. Working in partnership, the Firm, GSCF, and WCS established the three-year WCS-GS Alliance. Detailed background on the project may be found at: www.wcs.org/international/latinamerica/southerncone/tierradelfuego, or www.goldmansachs.com/our_firm/the_culture/corporate_citizenship/tierradelfuego/index.html.

Some of the key milestones since the transfer include:

- WCS has deployed park rangers trained in firefighting, the control of illegal hunting, and basic biological research and monitoring.
- WCS, in conjunction with the Chilean public agencies and local stakeholders, has initiated research activities on guanaco and beaver ecology. The guanaco research program is focused on analyzing migration patterns and their effect on forest regeneration. The beaver program was established as a long term experiment to analyze control techniques and ecosystem recovery.
- WCS developed a Public Use Plan to open the area for education and outdoor low-impact activities such as trekking, fishing, biking, climbing, and kayaking.
- Two local teachers successfully participated in the WCS Fellowship Education Program in New York.
- On September 10, 2006, GSCF delivered the third and final tranche of the initial \$6.6 million funding commitment that was agreed to at the time of the transfer. In December 2005, Goldman Sachs, GSCF, and the firm's employees pledged an additional \$6 million to the project, to be matched in part by WCS, which has committed \$6.3 million. To date, total committed funding totals \$18.9 million.
- On November 6, 2006 Secretary of State Condoleezza Rice presented Goldman Sachs with the Award for Corporate Excellence from the United States Department of State for the firm's work in Chile. Goldman Sachs CEO Lloyd Blankfein received the award from Secretary Rice.

CONCLUSION

Since establishing our Environmental Policy Framework, Goldman Sachs has made significant progress towards reaching the goals it has set out to achieve. At the same time, we realize there is still much work to be done. To that end, in 2007 we hope to build upon our work to date, focusing on further implementation of the Framework and encouraging greater innovation and investment from our business units, which is ultimately how we believe we can have the greatest positive impact. We also recognize that, ultimately, climate change cannot be effectively addressed by voluntary action alone. Effective and efficient regulatory policy will also be required. At Goldman Sachs, we created the Center for Environmental Markets to study and promote market-based approaches to environmental challenges and regulatory policy. We believe that companies should be active in the debate on how to regulate carbon emissions. When companies engage in environmental matters, they can become important, educated participants in the policy debate.

APPENDIX A

Global Investment Research Client Reports

ESG

- Global Energy: Integrating ESG (Feb 2004, Aug 2005, Oct 2006)
- Global Mining and Steel: Integrating ESG (Jul 2006)
- Europe Media: Integrating ESG (Feb 2006)

Alternative Energy

- European Renewable Energy – sun, wind and grain (Oct 2006):
- ASEAN palm oil initiations: Bullish on bio-diesel (Oct 2006)
- Americas: Energy: Alternative Energy – Searching for renewable profits (Oct 2006)
- US: Energy: Oil: Initiating coverage of ethanol producers Aventine and VeraSun (Aug 2006)
- Asia: Alternative Energy: A breath of fresh air (Apr 2006)
- Japan Technology: Solar Cell Industry Looks Attractive Toward 2010 (Mar 2006)

Water

- China: Utilities: Water: Quenching investment thirst (Jul 2006)
- Multi-Industry: Water utility survey: Growth flows steady (Jun 2006)
- Multi-Industry: Water Sector Primer: Water--Pure, refreshing defensive growth (Jun 2005)
- European Utilities: Carbon crazy (Apr 2006)
- European Utilities: Carbon - Putting the fizz into European power markets (Feb 2006)

Portfolio Strategy and Quantitative Research

- Climate Change as a Catalyst for Competitive Advantage (Dec 2006)
- US Investment Outlook: The Bigger Picture (Oct 2006)
- Corporate Governance and Enterprise Value (Sept 2006)
- Good Corporate Governance = Good Investment Returns (June 2006)
- Portfolio Strategy/Accounting: 2006 accounting agenda -- 7 projects to monitor (Mar 2006)
- Portfolio Strategy: The growing interest in environmental issues is important to both socially responsible and fundamental investors (Aug 2005)
- Corporate Governance Investing (Aug 2005)

APPENDIX B

Methodology for Calculating Greenhouse Gas Emissions

Goldman Sachs Services

To develop the baseline projection we created an online utility tracking database to record global facility utility information. Global data is collected monthly in local units and normalized into U.S. units. The following carbon emissions factors were used to calculate CO₂ emissions.

- Electric Emissions Factors:
 - Americas - All emissions factors for the U.S. were taken from the *eGRID Subregion Emission Factors* year 2000 as the most up-to-date published electric emissions factor in Pounds CO₂ per Kilowatt-Hour (lbs CO₂/kWh).
 - International – All emissions factors for international sites were taken from the *International Energy Agency (IEA) 2004 Electricity Emission Factors all fuels* year 2002 as the most up-to-date published electric emissions factor in Pounds CO₂ per Kilowatt-Hour (lbs CO₂/kWh).
- Gas and Oil Emissions Factors – Global gas and oil emissions factors were recommended by our environmental consultant, Viridian Energy & Environmental, LLC (formally Steven Winter Associates.)
- Steam Emissions Factors – Based upon procedures underlying *eGRID 2000* data, Viridian Energy & Environmental recommended steam emissions factors.

Cogentrix

Total CO₂ emissions are expressed as “total power generation”, and hence does not include all sources of CO₂ such as space heating, SO₂ control, etc. Our reporting methodology mirrors the protocol used in California which takes into account steam generation for other uses and the double work steam does in cogeneration. More specifically:

- Emissions per MW (tons/net MW) takes into account power generated only.
- Emissions per MW (tons/ net + steam MW) takes into account additional steam generation and use.
- The Steam Production Emissions Allocation equation calculates a MW equivalent for the steam exported, which is then used in the tons per net + steam MW calculation.
- The last two lines in the summary table take into account Cogentrix’s percent ownership interest in each site.
- CO₂ emission factors from the California protocol for bituminous coal, oil, and natural gas are used except for waste coal (Scrubgrass and Northampton), TDF (Richmond), and fiber rejects (Cedar Bay), where the emission factors are adjusted to the carbon in the fuel.

Appendix C

Global Services Responsible Products and Programs

Travel

- Introduced hybrid vehicles into our Executive Transportation Program in New York.
- Added green residential buildings to our corporate apartment portfolio and posted energy conservation notices in our corporate apartments.
- Reduced our paper and print usage by introducing paperless car travel in New York and London.

Hospitality

- Procured coffee locally that is certified by The Rainforest Alliance™ for our pantry programs in New York and London.
- Incorporated organic food options into our cafes and catering menus.
- Added 3 bottled water options into our New York and London cafes and catering programs provided by suppliers who donate a percentage of the proceeds to clean water initiatives.
- Phasing out the use of Styrofoam food and beverage containers and introducing biodegradable alternatives, where possible.

Document Management

- Use envelopes with 30% post-consumer recycled content.
- Wealth Management Statements are now printed on 100% post-consumer recycled paper.
- Ninety three percent of all copy paper contains 30% post-consumer recycled content.
- Our 2005 Annual Report was printed on FSC certified paper.
- Global Investment Research (GIR) prints the majority of its Americas Investment Research Reports on FSC-certified paper and is piloting the program in London.
- All of our business stationery, stationery envelopes, and business cards are now printed on FSC certified paper that contains 100% post-consumer recycled content.

Procurement³

- Added clauses to our vendor and service agreements stating our commitment to environmental stewardship and encouraging our vendors and service providers to supply goods and services in a manner that is consistent with our own practices and policies.
- Incorporated language referencing our Environmental Policy Framework in our vendor Requests for Proposals.
- Notified existing vendors of our Environmental Policy Framework and encouraged them to work with us on adopting more environmentally responsible business practices.

Recycling

- Recycle the following materials at most of our office locations: office paper, aluminum cans, glass, plastic, cardboard boxes, light bulbs (mercury extraction), toner cartridges, household batteries, and wood pallets.
- We are in the process of conducting a global assessment of all office locations to identify opportunities to introduce enhanced recycling programs and other environmentally responsible practices.

³ This has been done where feasible and practical. There is a fair amount of variance based on region and office.