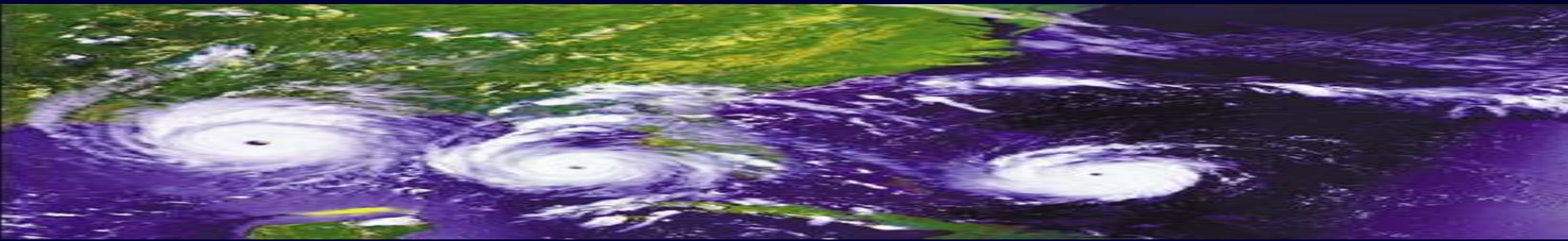


Carbon Beta™ of Securities and their Impacts on ASX Equities



19.86	37.52	17.12	-0.88	1.81%
38.75	17.02	42.15	+0.75	0.48%
17.47	40.86	27.09	+0.13	2.09%
42.45	26.07	22.47	+0.46	
27.15				

2nd Annual Climate Change Summit 2008

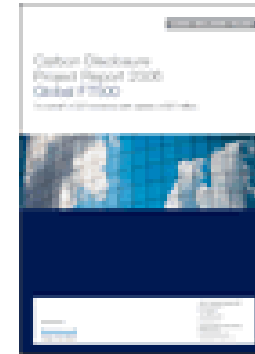
Innovest: Company Profile

- Innovest Strategic Value Advisors is an international investment research and advisory firm, specializing in analyzing “non-traditional” drivers of risk and shareholder value, and their impact on company competitiveness, profitability and share price performance.
- Rating of more than 2,300 companies globally inc ASX200 and Asian stocks on Environmental, Social and Governance issues with a specialty in climate change
- 70+ analysts, offices in 6 countries on four continents, and clients in over 20 countries.
- Innovest has been ranked as the #1 global provider of “non-traditional” investment research in both 2007 and 2006 by the Thomson Extel survey of over 140 major institutional investors. Gained several other awards
- 10 out of the top 25 global asset managers in the world use Innovest research. Australasian clients include: AMP Capital; ANZ Bank, Colonial First State, 5 Oceans, ING Investment Management Australia, Maple Brown Abbott, New Zealand Super Fund, Perennial Real Estate Investors
- Innovest clients have collective assets under management of over \$7 trillion

Global Experts in Climate Change Risks

Author of Global Carbon Disclosure Project (www.cdproject.net) 'CDP'

- The international survey of 500 largest listed global companies to disclose their CO2 emissions levels and extent of their management programs on behalf of institutional investor signatories.
- 'CDP' is the *largest example of collaborative engagement* amongst institutional investors. Growth of CDP due to Innovest climate risk analysis on sectors and companies
 - CDP1 (2003): 35 signatories, US\$4.5 trillion
 - CDP2 (2004): 95 investors, US\$10 trillion
 - CDP3 (2005): 155 investors, US\$21 trillion
 - CDP4 (2006): 211 Investors, US\$31 trillion
 - CDP5 (2007): 315 investors, US\$41 trillion



Innovest Carbon Beta Ratings introduced in 2007

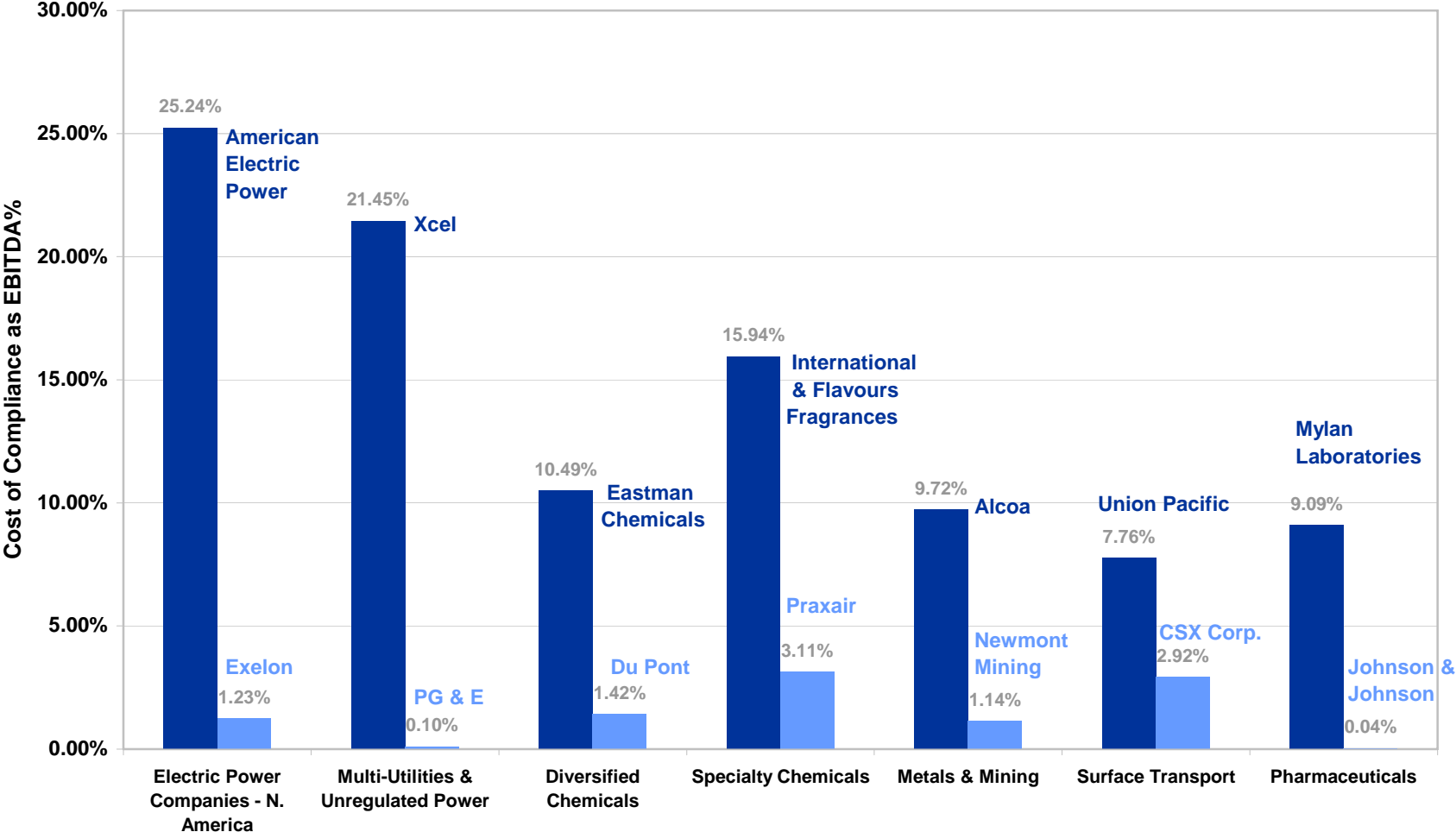
- The most sophisticated analysis of impacts arising from climate change
- 2,200 companies globally assessed on: risk exposure, management capabilities; opportunities positioning; improvement performance; cost of regulatory compliance

Climate Change: The Logic for Investors

- Companies' "sustainability" characteristics are becoming increasingly critical to their competitiveness, profitability, and share price performance.
- Sustainability analysis can provide additional insights about companies' **strategic management capabilities, organizational agility, and therefore their financial performance potential**
- Climate change is emerging as the #1 global sustainability risk driver
- **Climate risk exposure varies widely, between and even within industry sectors; yet those exposures are *not* fully priced into asset values.**
- Robust climate risk/opportunity data and analysis are scarce and difficult to obtain; this can create a major information advantage for investors.
- Those opportunities can be exploited through a portfolio of major global companies with superior "carbon risk" management, as well as particularly strong exposure to the opportunities being created by climate change.
- ***Combining world-class fundamental and/or quantitative analysis with institutional-quality carbon risk research creates optimal portfolio performance.***

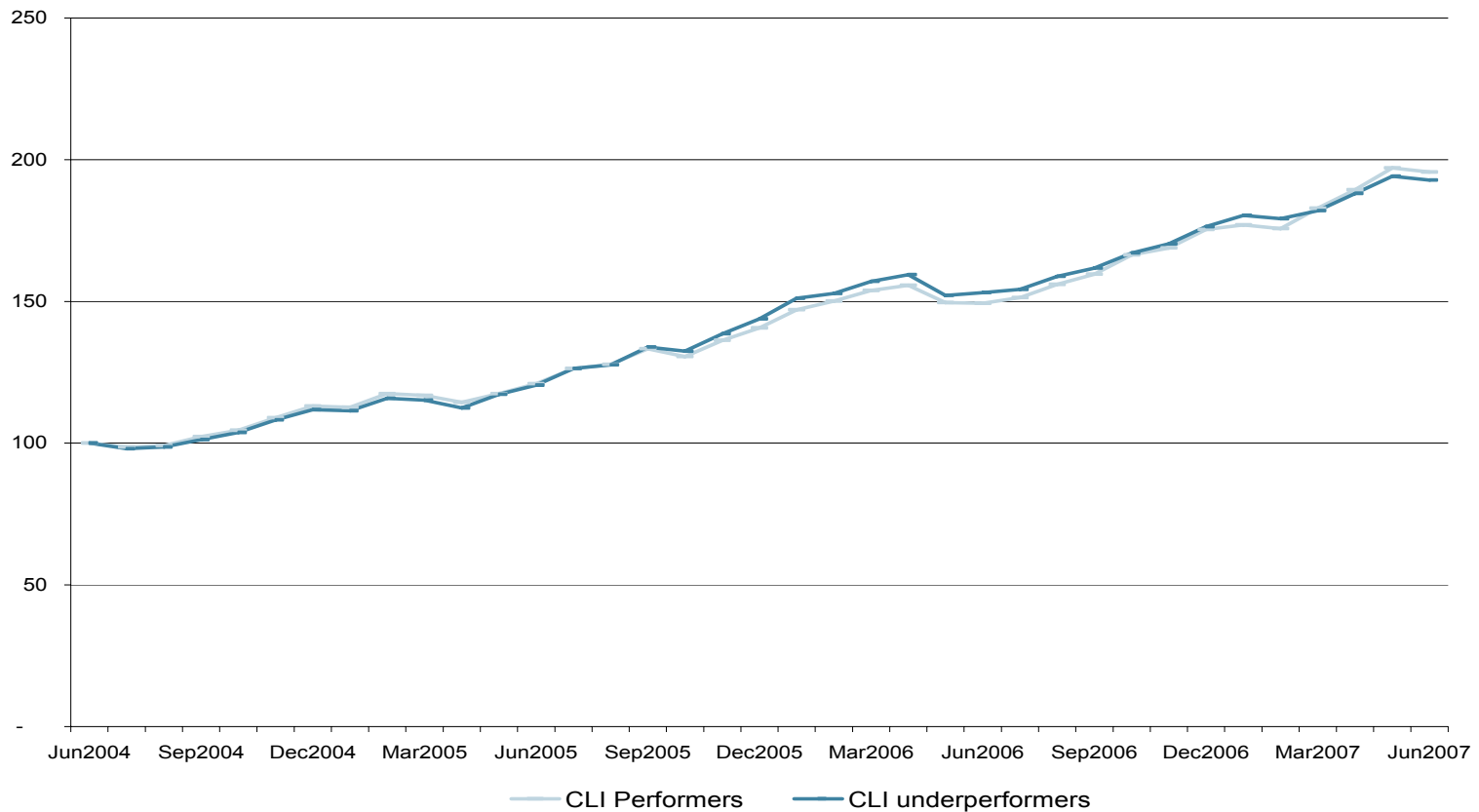
Carbon Risk Varies Widely – Both Between and Within Sectors

CO₂ Regulatory Cost of Compliance as Percentage of EBITDA



The “Disclosure Quality Premium” is Essentially Zero!

Assessing companies' carbon disclosure is not sufficient



Graph of Performance of Carbon **Disclosure** Leaders v Laggards

What are the Investment Risks?

Climate change risks can be grouped as

- Physical
- Litigation
- Regulatory
- Competitive
- Reputational

Each of these can affect:

- CAPEX
- Operating Costs
- Cash Flow
- Cost of Capital

What Drives Companies' "Carbon Beta"?

- **Strategic governance** (the extent to which companies integrate climate change factors into their business planning impact overall risk)
- **Product mix** – direct, indirect, and embedded carbon intensity (i.e. value chain emissions profile)
- **Energy intensity**, consumption patterns and electricity source mix
- **Geographic distribution of production assets** relative to specific regulatory and tax-related considerations
- **Business regimes** that determine the ability of companies to recoup carbon-driven higher compliance and operating costs from customers
- **Technology trajectory** – level of progress achieved towards adapting and replacing production technologies (some companies can reduce emissions at much lower cost than others)
- **Ability to identify and monetize revenue opportunities** (manufacturing cost efficiencies, new product/service opportunities, emissions trading and clean technology)

Carbon BETA™ Multidimensional Analysis

CLIMATE RISK HAS FOUR DIMENSIONS, NOT ONE

It is sometimes (erroneously) assumed that companies' "carbon footprint" is the paramount or even the only factor to be assessed in determining their risk for investors.

Scores

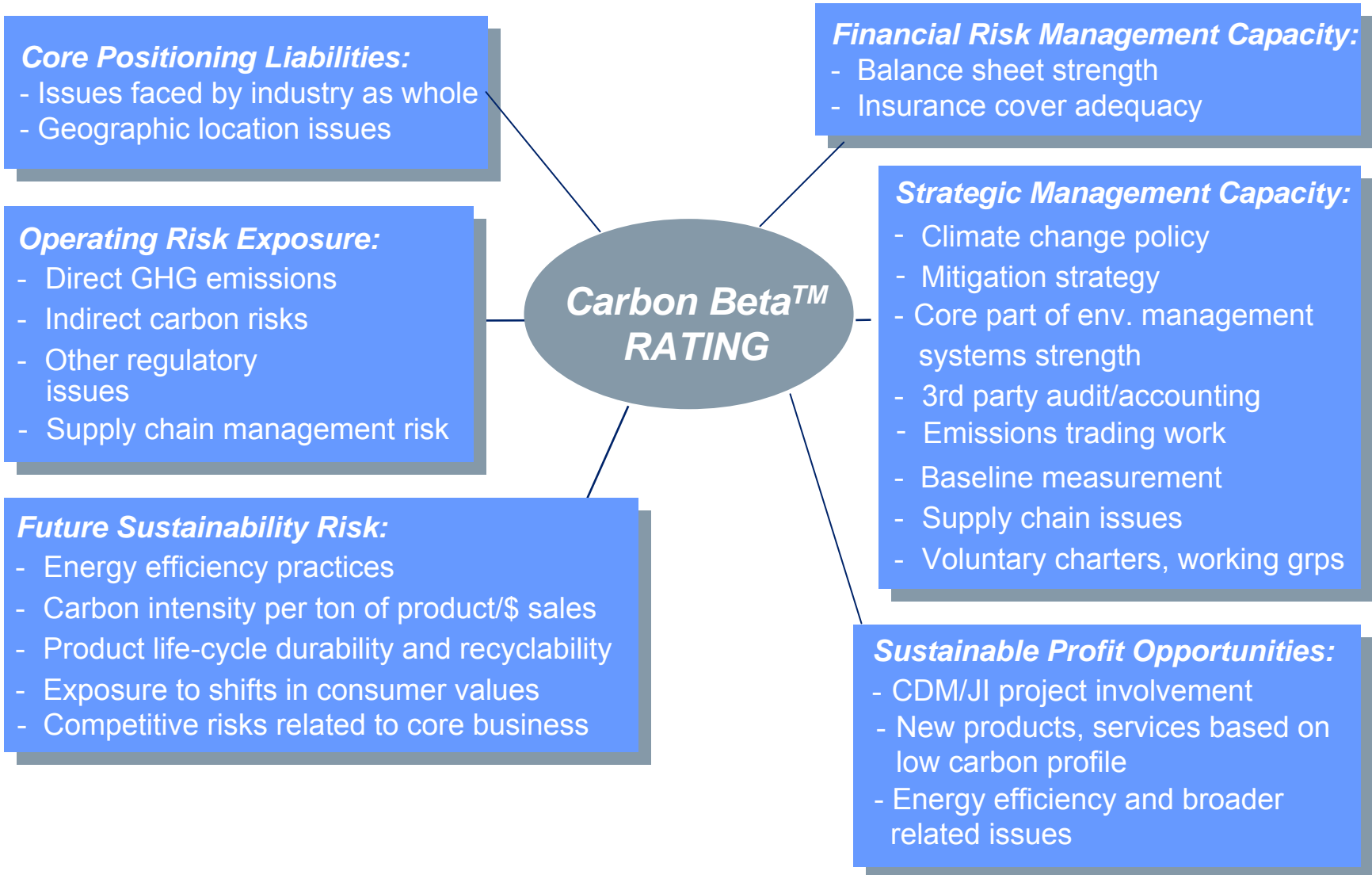
Carbon Management Strategy: Each company is assessed relative to peers on its carbon management strategy. In particular, we look at stated goals and policies to address climate change challenges.

Carbon Risk Exposure: Risk exposure trends related to climate change are assessed for the sector as a whole, and the company in particular. Three categories of risk are addressed: direct risk, indirect risk (upstream the supply chain) and market related (GHGs emissions related to product in use)

Strategic Carbon Opportunities: Each firm is assessed for its ability to develop and commercialize strategic carbon opportunities relevant for its sector. These may be comprised of anything from direct technical solutions to changes in services and operations management that address climate change and lower emissions.

Improvement Trend: The overall trend for the company vis-à-vis climate change risks and opportunities is assessed.

Multi-factor Carbon Beta™ algorithms integrate over multiple data points, including:



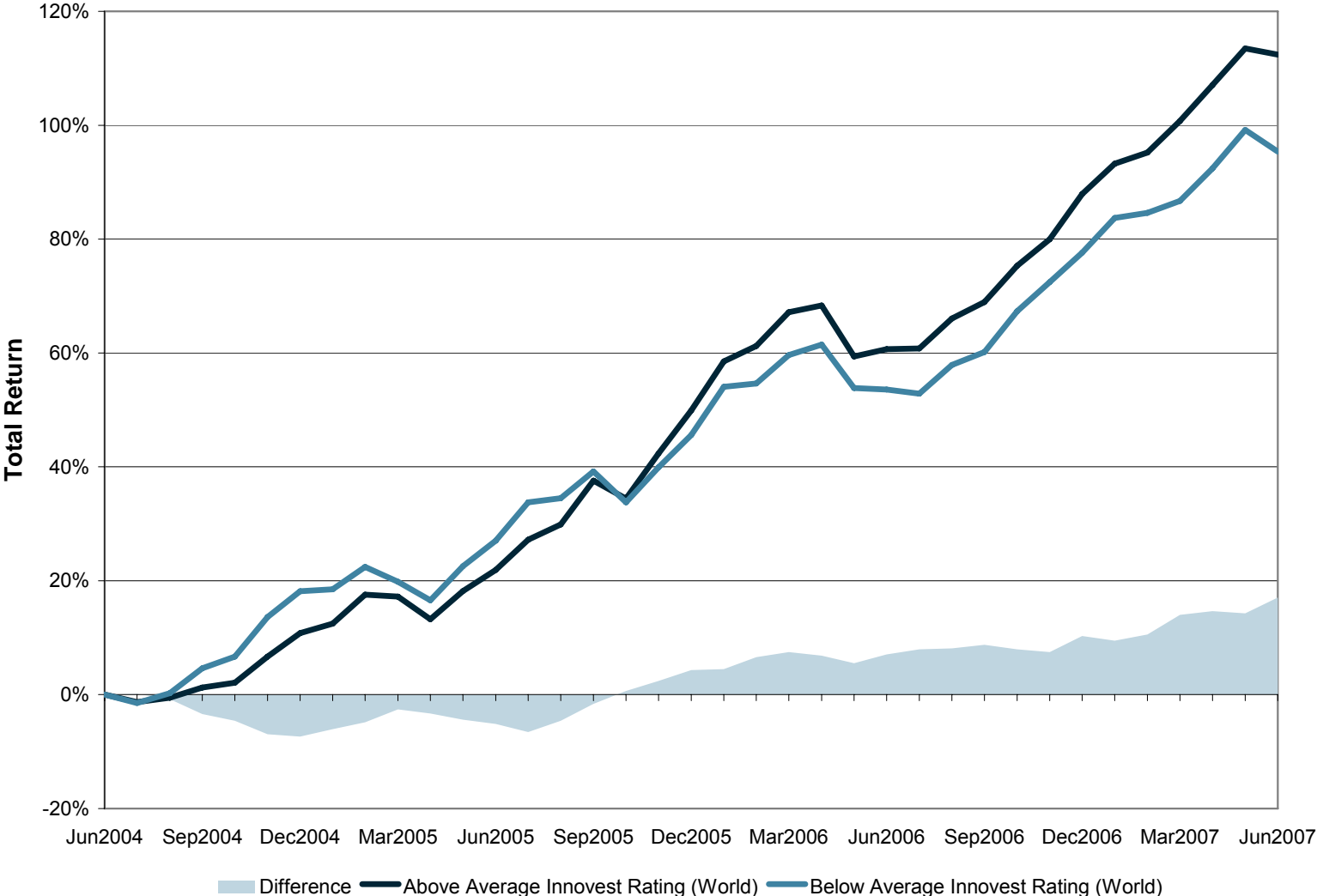
Sector and Country Specific Carbon Intensity

- Sector Specific Carbon Intensity: 3 weighted risk factors – Direct * upstream risks * downstream risk = Combined intensity score

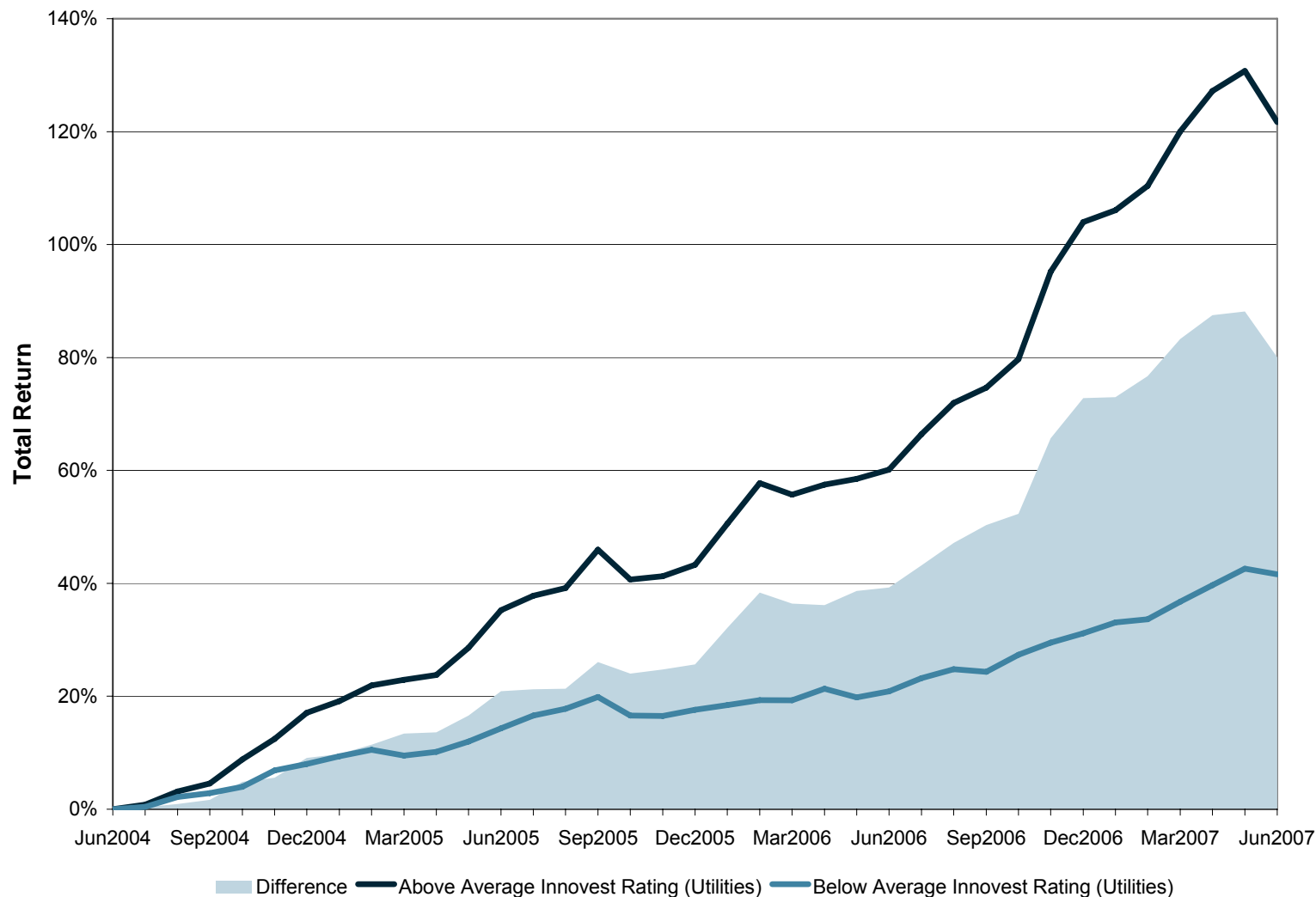
Industry	CC Direct Intensity	CC Indirect Intensity (Upstream)	CC Product Intensity (oil, cars or financial products)	CCC Intensity (Combined Intensity)
Oil & Gas	4	3	5	4.2
Automobiles	3	4	5	4.0
Aerospace & Defense	3	3	4	3.4
Metals & Mining	5	3	2	3.9
Pharmaceuticals	4	3	0	2.2
Airlines	5	0	0	2.0

- Country/Jurisdiction: Weighted Average Country Carbon Reduction Target (WACCRT©), represents the aggregate extent of emissions reductions over the full range of a company's industrial activities.

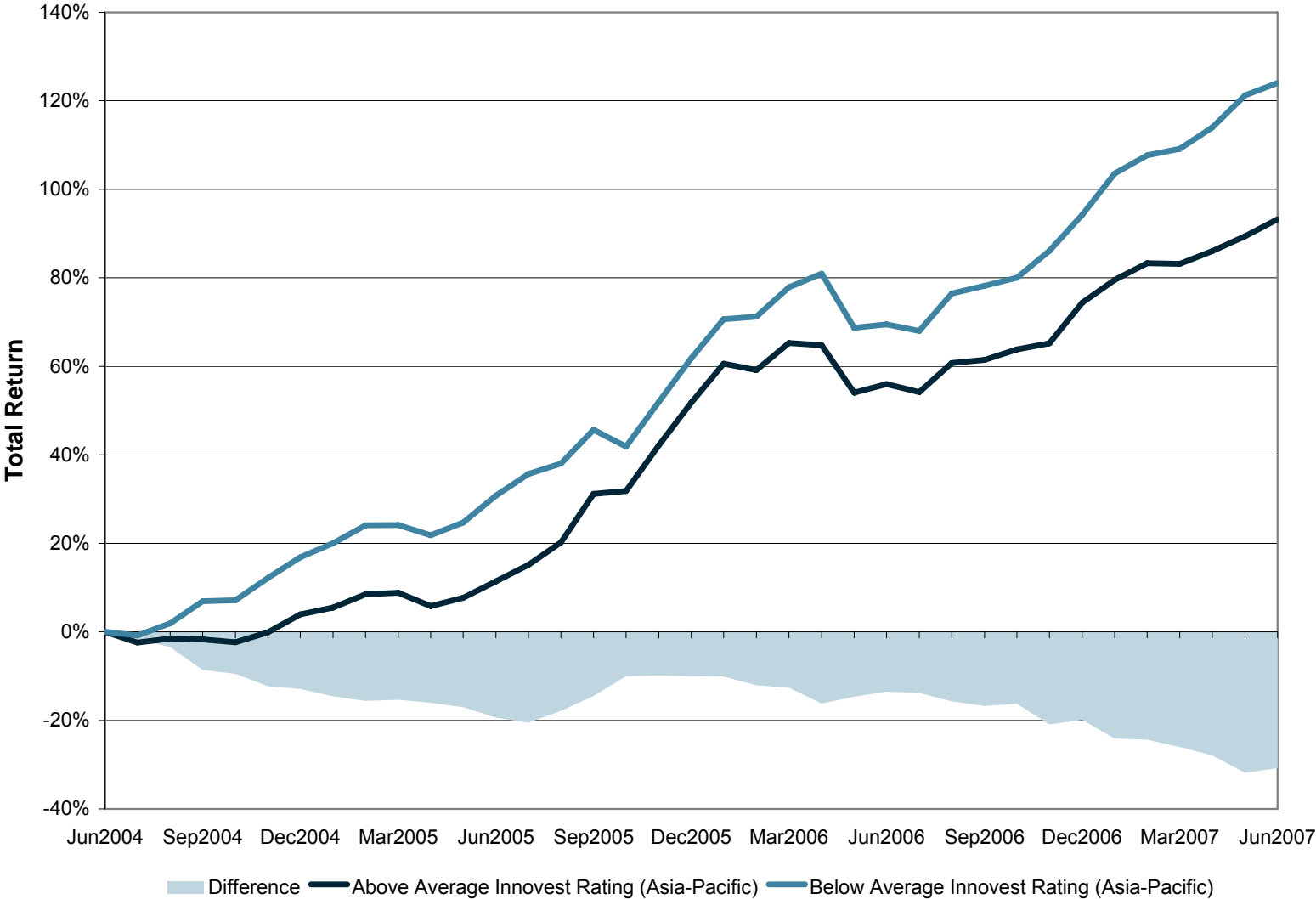
Carbon Beta[©] Performers vs. Laggards Globally



Carbon Beta[©] Performers vs. Laggards in the Utilities Sector



Carbon Beta© Performers vs. Laggards in Asia-Pacific

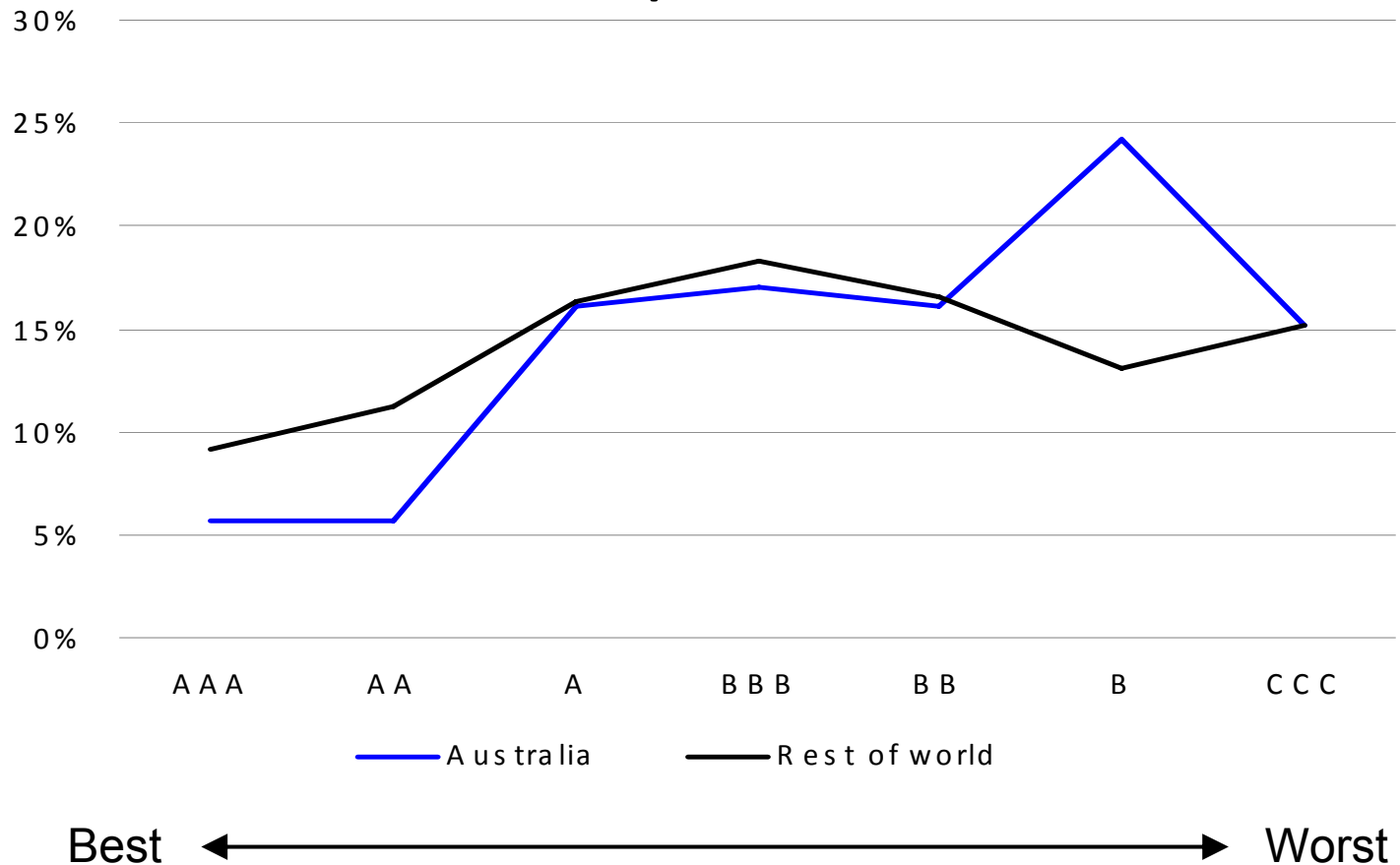


Hypothesis: ASX High Carbon Risk Profile

1. High % of **energy intensive** industries
2. Australia's **reliance on coal** for electricity supply
 - ASX 200 have higher 'CO2/Sales' ratios than international peers
 - ASX 200 used to 'artificially' low energy prices – susceptible to ↑ in electricity prices deriving from
 - introduction of emissions trading system (ETS) BUT especially
 - increases in energy prices due to both introduction of ETS & also electricity supply infrastructure constraints (also driven by climate change debate)
3. ASX 200 have **high export focus** – esp into Kyoto ratified nations and Australia cannot take advantage of the Kyoto mechanisms such as CDMs.
4. **Lack of certainty** in Australia re future carbon policies puts ASX – we have started to address policy issues later than Europe
5. **Physical impacts of climate change** already being felt in Australia – drought → access to water becoming key issue for Australian industry that is not for international companies.
6. **Australia's size & isolation** → high carbon miles and footprint

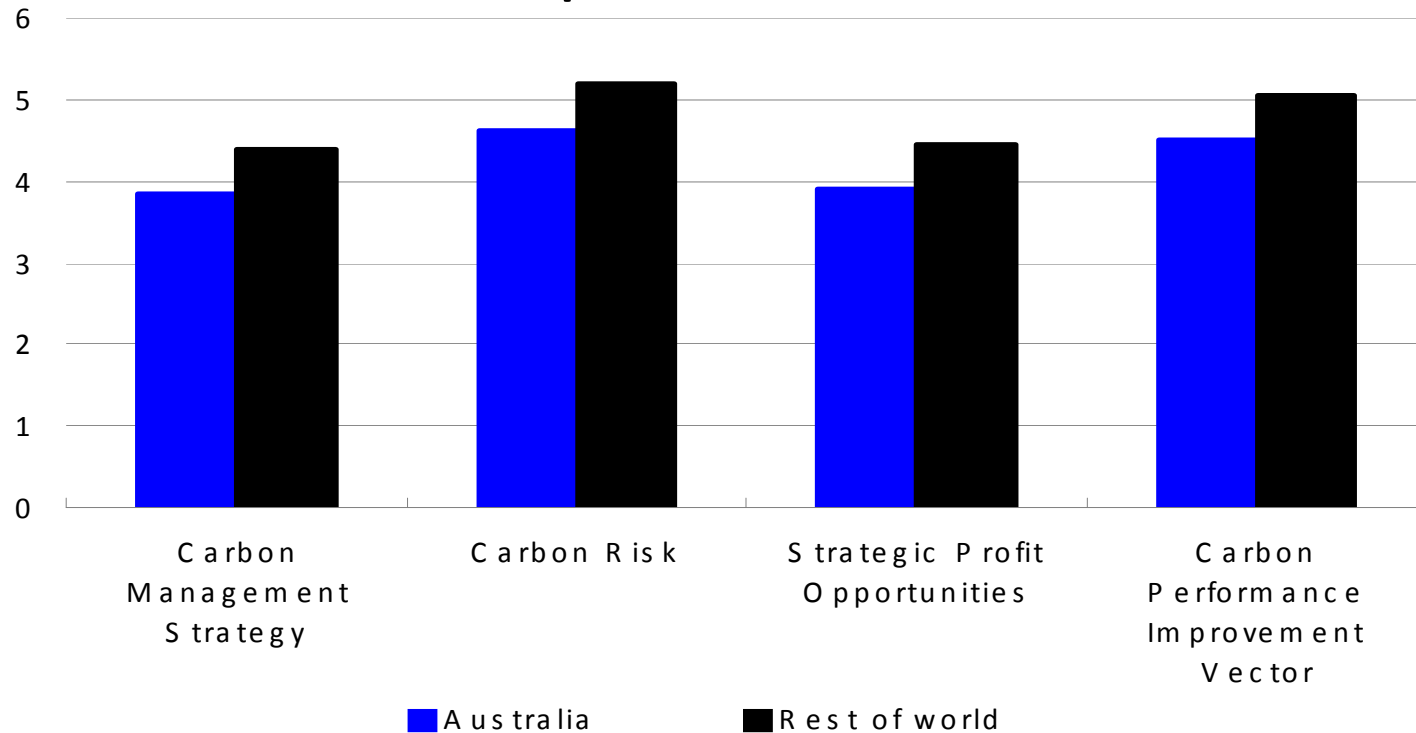
ASX Carbon Beta Ratings - Skew to Below Average Ratings

Carbon Beta Ratings: Australia vs other developed economies



ASX: Lower Scores on Carbon Management, Opportunities and Improvement

Carbon Beta: Australia vs other developed economies



ASX Lower Carbon Risk Score – pre introduction of Rudd Govt carbon pollution reduction schemes (CPRS)

ASX 200 - Sector Snapshots

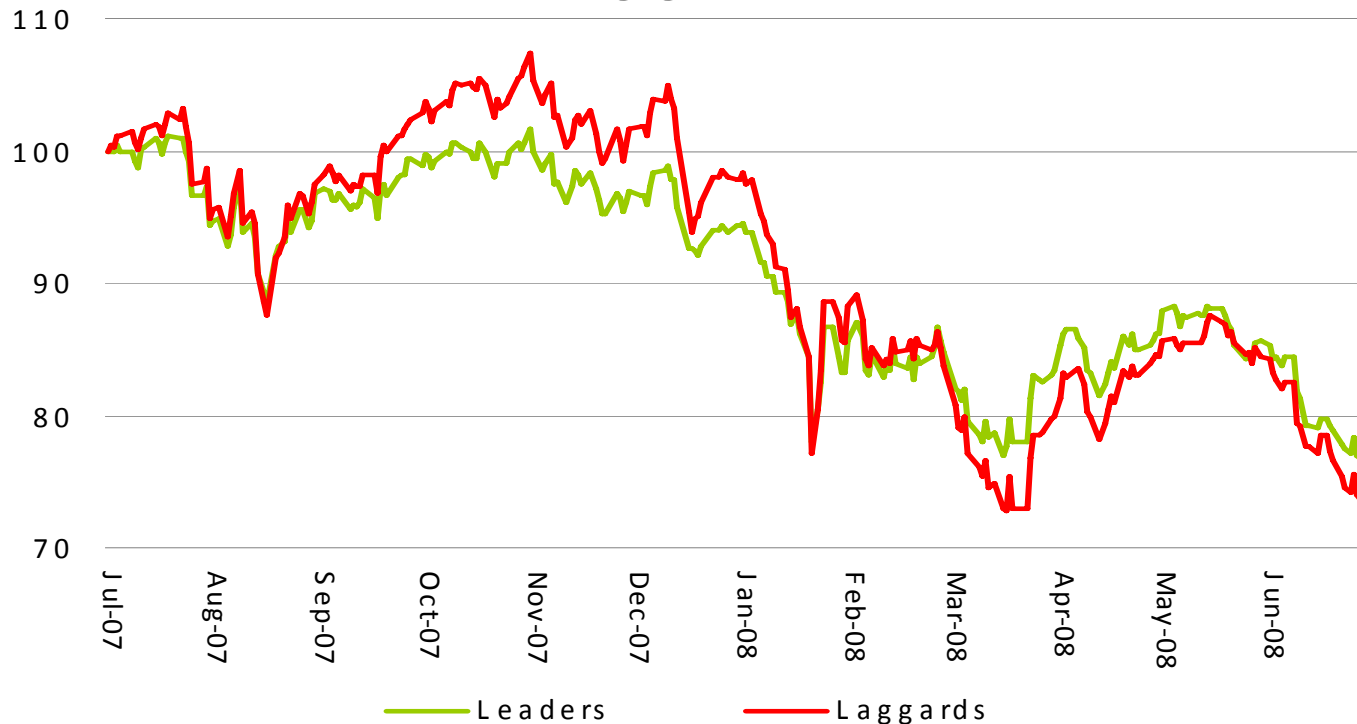
- **Metals & mining** - Australian have highest 'CO2/Sales' ratios compared to global peers; good GHG management generally, beware the non disclosers!
- **Property trusts** - Energy can account for up to 20% of running costs; 'green building ratings' – large upside for the sector
- **Construction materials** – energy can account for 20% of operating costs
- **Banks** – Advanced in direct risks but still not resolving addressing climate change in lending
- **Retailers** – surprisingly high risks - low margin business with large energy costs – ca 33% of NPAT for electricity alone
- **Food and beverage mfg** – most at risk due to physical impacts, few companies addressing
- **Industrials sector** - shows particularly low carbon awareness

ASX Carbon Beta Conclusion

- Top ASX companies abreast of issues and WBP in disclosure...
 - multinationals (BHP Billiton, Rio Tinto, Westpac, ANZ, Investa, IAG) are world's best practice
 - But mask the poor overall performance of the rest of ASX 200.
- Watch out for risks and opps in the highest carbon intensity sectors:
 1. Utilities
 2. Oil and gas
 3. Metals and mining
 4. Construction materials
 5. Paper and forest products
 6. Steel
 7. Chemicals
 8. Building products
 9. Food products
 10. Road and rail transport

ASX: Carbon Beta Premium now being witnessed

ASX 200: Carbon Beta leaders vs laggards



July 07 – June 08: Leaders exceed laggards by 3.4%

Rudd Era (Nov 07): Leaders exceed laggards by 7.2%

For further information

Thank you !

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