

2008 Global Accountability Report

Accountability Profile



GOLDMAN SACHS

BACKGROUND

Founded in 1869, Goldman Sachs is a bank holding company which offers services including investment banking, securities, and investment management, mainly to corporations, financial institutions, governments and high net worth individuals. Currently, Goldman Sachs has offices in all major world financial centres and is a primary dealer in the U.S. Treasury securities market.

ORGANISATIONAL STRUCTURE

Goldman Sachs is a publicly traded company. Its shareholders meet at the Annual General Meeting, where they elect the 13 member Board of Directors. The Board of Directors establishes Audit, Compensation and Corporate Governance and Nominating Committees and oversees the work of the Executive Officers.

ACCOUNTABILITY SUMMARY

TRANSPARENCY

While Goldman Sachs does not have a policy that clearly states what, when and how information will be made public, it does make a commitment to transparency in its *Portfolio Strategy*, its *Code of Business Conduct and Ethics*, and its *Business Principles* which are disseminated through the *Annual Report*. Goldman Sachs does not have narrowly defined criteria for non-disclosure and makes no commitment to respond to all requests for information or to provide justification for denials. No independent appeals mechanism is available.

Ethics contacts, responsible for ensuring staff compliance with the organisational *Code of Business Conduct and Ethics*, are also in charge of addressing issues of transparency and ensuring that all information in its public communications is accurate, timely and understandable. An exam-style training programme titled *Compliance Reputational Judgement (CRJ)* is provided as training to Ethics contacts on information disclosure and client confidentiality. External stakeholders may obtain contact information for all national Goldman Sachs offices on its website. The *Business Principles* and the *Code of Business Conduct and Ethics* are disseminated through the *Annual Report* which is available in English and Mandarin via the Goldman Sachs website and in hard copy.

Headquarters: New York, USA

Countries of operation: 32

Gross profit: US\$11.4bn (2007)

Employees: 32,500 (2008)

Website: www2.goldmannsachs.com

2008 GLOBAL ACCOUNTABILITY REPORT RATINGS			
Dimension	Score	TNC Rank	2008 Rank
Transparency	44%	3=	12=
Participation: External Stakeholder Engagement	25%	6	25
Participation: Member Control	100%	1=	1=
Evaluation: Environmental	56%	9	-
Evaluation: Social	2%	9	-
Complaints & Response: Internal	79%	1=	8=
Complaints & Response: External	45%	1	8
Overall	49%	6	20

= denotes tied ranking

PARTICIPATION – EXTERNAL STAKEHOLDER ENGAGEMENT

Goldman Sachs does not have a policy guiding when and how it engages external stakeholders. It does, however, make a commitment to external stakeholder engagement in its *Environmental Policy Framework* which states that Goldman Sachs will consult stakeholders on a regular basis to better understand environmental issues and identify future trends. There is no commitment to involving stakeholders in discussions beyond these two areas. Communication channels are specific but only made available to stakeholders with whom Goldman Sachs has established relationships, such as clients, investors and experts. No commitment is made to enabling external stakeholders to initiate engagement, changing policy or practice based on their inputs, communicating how much and in what manner they will be able to affect the final decisions of the process, or to making outcomes of external stakeholder engagement public. Goldman Sachs also has an International Advisory Panel composed of senior consultants to the firm, who advise on matters pertaining to their respective country, region or industry of expertise.

The *Environmental Policy Framework* is coordinated and overseen by the Office of Corporate Citizenship, reporting directly to the Executive Office. However, training on *The Environmental Policy Framework* does not include specific components on how to conduct stakeholder engagement. The *Policy* is made available on the Goldman Sachs website in English and Mandarin.

PARTICIPATION – MEMBER CONTROL

Shareholders gather at the Annual Meeting to elect the Board or Director on the basis of the one share, one vote principle. Director nominees are elected by a majority vote of all shareholders. Shareholders owning at least 1% of the outstanding shares are entitled to add agenda items, along with management, for an annual or special general meeting of shareholders. Beyond voting rights in the election of the Board of Directors, each category of shareholder is also entitled to vote for Directors specific to their shares. Thus, Goldman Sachs meets all key good practice principles for equitable member control.

EVALUATION – ENVIRONMENTAL AND SOCIAL IMPACT

The *Environmental Policy Framework* provides the overall commitment to environmental issues. Specifically, the *Framework* commits to create a Centre for Environmental Markets to undertake independent research with partners in the academic and NGO community to explore public policy options for establishing effective markets around environmental issues. It also commits to evaluating the environmental impacts and practices of clients and to report on progress against internal and external environmental standards. In addition, the *Environmental Report 2007* states that Goldman Sachs is integrating environmental, social and governance factors into global investment and that the organisation will review the *Framework* annually. Although Goldman Sachs commits to perform an annual review of the *Framework* and implementation as well as being open and transparent about evaluation results, it does not commit to using the results of environmental evaluations to inform future decision making nor to engaging external stakeholders in the environmental evaluation of activities that have impacted them.

The *Environmental Policy Framework* is coordinated and overseen by the Head of the Office of Corporate Citizenship, reporting directly to the Executive Officer. Training that is provided to staff conducting evaluations is part of the induction training provided to bankers and followed on by yearly updated training. Furthermore, the organisation has also conducted training for investment banking and principal investing teams to ensure that the guidelines are applied consistently.

Goldman Sachs does not have a policy or training for conducting social impact evaluation. It has, however, adapted the *Equator Principles* in its *Environmental Policy Framework* to determine how they can influence investment decisions.

COMPLAINTS AND RESPONSE – INTERNAL AND EXTERNAL COMPLAINTS

Goldman Sachs has a whistleblower policy available to staff, but this policy is not made publicly available. It also has the *Policy on Reporting of Concerns Regarding Accounting and Other Matters*, which is open to internal and external stakeholders who wish to file a complaint. Although Goldman Sachs does not provide details on how it will handle complaints or how they will be investigated, it commits to protecting complainants from retaliation and to process allegations confidentially. An external law firm serves as Goldman Sachs' external contact for matters relating to legal, ethical and firm policy issues. Any reports relating to accounts that are made through the Goldman Sachs *Hotline*, open to all complainants, are also referred to an independent law firm, and are then sent to the *Audit Committee* of the *Board*. The initial investigation process is itself independent, however there is no appeals procedure.

Responsibility for Goldman Sachs' whistleblower policy lies with the General Counsel. The Audit Committee is responsible for overseeing compliance with accounting issues. Complaints regarding ethics issues and organisational principles are overseen by the entire Board. All staff members who handle internal complaints are trained on induction and receive training more specifically on internal complaints handling. The *Policy on Reporting of Concerns Regarding Accounting and Other Matters* is disseminated via the website and through the proxy statement.

PERFORMANCE SNAPSHOT

Goldman Sachs scores above its sector and overall averages in complaints handling, as it has an independent mechanism for handling complaints accessible to both internal and external stakeholders, although many key protections and good practice principles are lacking in this mechanism. Goldman Sachs has weak evaluation capabilities, ranking last in the corporate sector and 29th overall in this dimension. This result is partly explained by the fact that, as a financial service provider, Goldman Sachs can advise clients to incorporate social and impact evaluations into their operations and projects, but does not perform any on the ground operations that Goldman Sachs evaluates itself. As a result of its relatively strong performance in complaints handling capabilities, average performance in transparency and participation, and weak performance in environmental and social impact evaluation, Goldman Sachs performs in the lower mid range of 2008 assessed organisations, ranking 6th in the corporate sector and 20th overall.

