Working with our clients globally, we seek out opportunity as the world changes. We work to provide solutions to complex challenges and bring together experts to explore near-term solutions and long-term ideas. While the people of Goldman Sachs apply their expertise across a range of disciplines, four themes in particular — Technology, Energy, Entrepreneurship and Risk Management — stand out as among the most notable for our business in 2013.

With a focus on these areas, this year’s annual report highlights 25 trends that made an impact over the past year, and discusses how Goldman Sachs helps clients navigate some of the most critical and dynamic sectors of today’s global economy.
TECHNOLOGY IS TOUCHING EVERY CORNER OF OUR WORLD: DRIVING RADICAL CHANGE ACROSS COMMUNICATIONS, ENCOURAGING STRATEGIC COLLABORATION AND REINVENTING GLOBAL COMMERCE

At Goldman Sachs, we see concurrent revolutions within the technology space: the shift of computing from hardware to cloud and from desktops to mobile devices. Through these and other developments, technology is reshaping the way we live — a change that will provide enormous opportunities for people to participate in the global economy. As a strategic advisor and a source of capital, Goldman Sachs works not only with companies at the forefront of technological breakthroughs, but also within dozens of other industries undergoing technology-driven transformation.
E-COMMERCE PLATFORMS CONTINUE TO TRANSFORM THE WAY WE SHOP AND SELL

As e-commerce soars and the first real digital generation comes into its own, online shopping platforms will grow, adapt and compete for market share. In 2013, Goldman Sachs helped both established e-commerce sites and new innovators take significant steps, serving as lead underwriter for zulily’s $291 million IPO and RetailMeNot’s $187 million follow-on, as well as advisor to travel aggregator Priceline on its $1.8 billion acquisition of Kayak, enabling the company to add leading-edge apps for comparing hundreds of travel sites at once.

According to Goldman Sachs research, digital commerce adoption and expansion is anticipated to further accelerate, with annual growth reaching nearly 17 percent within the next three years.

MASSACHUSETTS-BASED HOLOGIC has become a driving force in early detection, ranging from cancer to infectious diseases. The company’s 3-D mammographic technology, for example, allows doctors to spot very small cancers that might have previously gone undetected, an advance with a profound impact on outcomes. As Hologic has evolved, Goldman Sachs has maintained a close relationship, helping to assess potential acquisitions and arranging access to capital that supported the company’s growth into an $8.5 billion enterprise.

Cloud computing has revolutionized data sharing and storage, setting a new standard for collaboration around the world

This game-changing technology has enabled the storage and sharing of huge volumes of data, the birth of entirely new business models and the ability to work collaboratively from any location around the globe. At our third annual Cloud Computing Conference, Goldman Sachs brought together a range of leaders — including technology innovators in cloud computing, executives from some of the most interesting companies driving this shift and venture capitalists. This group shared ideas on an array of critical cloud innovations and topics that are creating opportunity in the technology space and beyond.

Advanced technology is enabling doctors to detect diseases earlier — which means helping to save more lives

No 2

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View video
Key insights from the conference: goldmansachs.com/our-thinking/our-conferences/cloud-computing-conference
TECHNOLOGY

COMPANIES ARE SETTING AN UNPRECEDENTED PACE FOR GROWTH, FACING STRATEGIC DECISION POINTS QUICKLY

TECHNOLOGY COMPANIES have become some of the world’s largest and most impactful businesses — they’re growing faster than many of the companies that came before them, and arrive at critical decision points more quickly. In 2013, Goldman Sachs advised some of the best-known technology companies during watershed moments. In November, we were the lead underwriter on Twitter’s $2.1 billion IPO, the biggest tech debut of the year. Incorporated only seven years ago, the company now has 241 million active monthly users who, among them, send more than a billion tweets every two days.

Monetization of mobile presents huge opportunities for those who can crack the code

Opportunity Companies are racing to find ways to capitalize on the growth of mobile technology, whether in mobile payments, mobile content, location-based services or the explosion of valuable data generated by the use of mobile devices.

Competition “The question is, who can best take advantage?” says James Covello, head of Technology, Media and Telecommunications Equity Research at Goldman Sachs. “Whether we’re talking about consumer transactions or social networking, which companies will benefit the most from the ubiquity of compute?”

What was the most talked about theme at the Goldman Sachs Technology and Internet Conference in 2013? The monetization of mobile.

Pervasiveness Global sales of smartphones and tablets now outpace those of PCs and laptops. According to the UN International Telecommunication Union, mobile subscriptions will top the world’s population sometime in 2014.

The pervasiveness of technology is creating extraordinary opportunities for business formation on a global scale

The ubiquity of online access has dramatically increased opportunities for creating businesses, according to Anthony Noto, global co-head of our Technology, Media and Telecommunications Group in the Investment Banking Division, and George Lee, chairman of our Global Technology, Media and Telecommunications Group and chief information officer for the Investment Banking Division. This change has created a global system of “costless distribution,” says Noto, allowing “a lot more capital to invest and reap the rewards of a large, globally distributed user base.” The advance of mobile, adds George Lee, hastens the trend by making that user base accessible 24/7. “Companies are now really focused on meeting the needs of consumers who are walking around with very capable computers in their hands,” he says. “In the next five to ten years, almost every human on earth will have access to extraordinary amounts of computing power. That pervasiveness of technology is driving change at an unprecedented level and pace.”

Anthony Noto and George Lee explore rapid changes in the technology sector and what to expect next. Go to: goldmansachs.com/annual-report-2013/lee-noto
THE NEXT WAVE OF DISRUPTIVE TECHNOLOGIES WILL BRING FORTH EVEN GREATER TRANSFORMATION

GLOBAL INVESTMENT RESEARCH

What is the next generation of technology innovations that our clients should be thinking about? This is a question we are always considering. A Global Investment Research report, The Search for Creative Destruction, highlights some of the exciting technologies that are reinventing, once again, the notion of what’s possible:

3-D PRINTING  Compared to traditional manufacturing, 3-D printing will drive greater customization, reduce costs for complex designs and lower overhead on short-run parts. Already growing at over 20 percent annually, the adoption of 3-D manufacturing is expected to continue on its path of rapid acceleration.

BIG DATA SOLUTIONS  Companies and organizations everywhere are seeking to garner insights from the mountains of data collected by PCs, sensors, smartphones, tablets and other devices, enabling them to better synthesize the world’s information. Poised to attract even greater demand, such technologies help companies to get a better sense of customers’ needs and identify important market developments and product trends.

SOFTWARE-DEFINED NETWORKING (SDN)  While the rest of tech has moved to the cloud, networking largely remains trapped in a paradigm of hardware and software boxes that are manually configured and nonscalable. SDN liberates networking from expensive hardware, making it easier and cheaper for technology administrators to respond to changing business needs. The field is likely to create new platform leaders and high-margin software companies.

2013: AN ACTIVE YEAR FOR THE FIRM’S TECHNOLOGY, MEDIA AND TELECOM TEAM

Working closely with leading and emerging technology companies to help them achieve their business goals, Goldman Sachs’ Technology, Media and Telecommunications Group helped plan and execute a wide range of transactions in 2013, including, for U.S.-listed marketed transactions, 15 technology IPOs and 12 follow-on equity offerings as the lead manager. Over the span of a little more than a week in September, the team advised on or executed seven major deals, including the largest M&A transaction in a decade.

Notable transactions, in addition to others mentioned in this report, include:

- Apple’s $17 billion debt offering — this inaugural issuance played a key role in the company’s $100 billion capital return program and was the largest-ever corporate debt offering at the time
- Vodafone’s sale of the U.S. group which owns its 45 percent interest in Verizon Wireless to Verizon Communications Inc. for a total consideration of $130 billion, as well as Vodafone’s $11.5 billion acquisition of Kabel Deutschland
- Softbank’s $21.6 billion acquisition of a majority stake in Sprint
- Dell’s $24.4 billion take-private transaction
- News Corporation’s separation into two publicly traded companies, 21st Century Fox and News Corporation
- Tesla Motors’ $1.0 billion dual-tranche offering ($360 million common stock and $660 million convertible senior notes)
- LinkedIn’s $1.4 billion follow-on equity offering

Read the report  The Search for Creative Destruction. Go to: goldmansachs.com/annual-report-2013/search (below) 3-D Printer
ADVANCES IN ENERGY EFFICIENCY AND RESOURCES CREATE A UNIQUE OPPORTUNITY FOR SMART LONG-TERM INVESTMENTS THAT MAXIMIZE THE BENEFITS OF AN INTEGRATED ENERGY MIX

Changes in the global energy landscape — including shifting demand-side dynamics, increased production from shale oil and gas in North America, and advances in technology — are providing significant opportunities for investment while also driving sustainable economic growth, enhanced competitiveness and responsible development of energy resources.
INVESTMENT IS NOW CRUCIAL TO TURNING ENERGY PROMISE INTO REALITY

According to Jeff Currie, global head of Commodities Research in the Global Investment Research Division at Goldman Sachs, a crucial task is “coupling the rapid advances in energy supply with investments that enable society to benefit, whether in manufacturing, transportation or the generation of power.”

As that process unfolds, Goldman Sachs is focused on helping bring important stakeholders together to overcome impediments. “We don’t just have a role as an advisor and source of capital for energy companies,” Currie says. “We can also help facilitate the dialogue that is needed right now between policy on one side and finance on the other.”

WITH NEW SMART GRID TECHNOLOGY, utilities worldwide are better able to maximize the efficiency of the electrical grid while enabling customers to reduce their costs. One of the clear leaders in this space is Silver Spring Networks, whose smart grid networking platforms connect millions of devices along the grid that generate, control and monitor power. These networks provide a wealth of data that enables utilities to enhance efficiency, increase reliability and automate manual services, including meter reading. They also enable households to monitor their own energy use and make adjustments during times of expensive peak demand. In 2013, as lead bookrunner, we helped Silver Spring Networks raise $93 million through an IPO.

GLOBAL INVESTMENT RESEARCH

With the production of shale gas increasing dramatically, and oil production rapidly rising, the macro effects of the shale revolution are being felt around the world. The most dramatic impact is the gradual loosening of oil price constraints that have persistently threatened economic expansion in developed economies. According to Goldman Sachs research, the ability of shale to drive a resurgence of energy production in North America is creating powerful economic benefits. The revolution will contribute structurally to a more stable oil market, in which global demand can rise without placing the same upward pressure on energy prices. Other likely outcomes include an end to the drag energy prices can place on household incomes, improvement in the U.S. trade balance by 1.2 percent of GDP by 2017, and strengthening of the U.S. dollar by 5–10 percent, according to Goldman Sachs research.

Read the report

IN THE SHALE OIL AND GAS REVOLUTION WILL CONTRIBUTE TO NORTH AMERICAN ENERGY INDEPENDENCE — AND OFFERS NEW OPPORTUNITIES FOR COORDINATION AND GROWTH

Bridging the Divide

Illustration showing North American shale plays

Basins
Current plays
Stacked plays
• Shallowest
• Intermediate
• Deepest
Prospective shale plays

Source: U.S. Energy Information Administration

Jeff Currie speaks about the shale revolution and the path to balancing supply and demand. Go to: goldmansachs.com/annual-report-2013/jeff-currie
Bloom Energy, one of many innovative businesses for which Goldman Sachs has provided advice and financing, is part of a growing movement toward distributed on-site energy production. Its main concept: fuel cells that turn natural gas or biogas into electricity — cleanly, reliably and at a competitive cost for commercial enterprises including data centers, government facilities and utilities. In the wake of Hurricane Sandy, Bloom’s fuel cells were up and running when other sources of power were unavailable.

With a growing global population and increasing per capita consumption of energy, finding new ways to produce energy is of paramount importance. “We have made good progress toward our target of financing and investing $40 billion in clean energy over the next decade,” says Stuart Bernstein, global head of both the Clean Technology and Renewables Group and the Venture Capital Coverage Group at Goldman Sachs. “Our work is wide ranging in industries from renewable power production to electric vehicles to grid optimization to demand response.” Highlighting our work in solar, Bernstein says, “While there continues to be innovation upstream producing photovoltaic panels more efficiently, our work with downstream solar clients allowed companies installing photovoltaic panels on homes, businesses and military installations to provide lower energy costs to their end users.”

Clean energy and renewable companies are not only driving change in the production of energy but also in its consumption.

In 2013, Goldman Sachs hosted the Second Annual Clean Energy Ecosystem Summit in Menlo Park, California. This conference brought together leaders of the world’s most innovative energy start-ups; key decision makers of the largest energy, technology and industrial companies globally; influential investors; and leaders across research, government and finance to share insights, foster a dynamic dialogue and — ultimately — be a catalyst for growth and innovation in clean energy.

Rethinking the Grid

THE GOLDMAN SACHS CLEAN ENERGY ECOSYSTEM SUMMIT EXPLORED NEW APPROACHES FOR DISTRIBUTION AND SUPPLY

VIEW VIDEO

Thought leaders from inside and outside the firm share insights on renewable oils, emerging energy collaborations and other clean energy topics: goldmansachs.com/our-thinking/our-conferences/clean-energy-ecosystem-summit

View video

Stuart Bernstein describes the commercial opportunity of clean energy and renewables. Go to: goldmansachs.com/annual-report-2013/stuart-bernstein

View video

KR Sridhar, CEO, explains Bloom Energy’s vision: ensuring that everyone on the planet has access to reliable, affordable, sustainable power. Go to: goldmansachs.com/our-thinking/our-conferences/builders-and-innovators-2013
As the industry evolves, energy companies are positioning for success with support from innovative financing solutions.

When NRG Energy, Inc., America’s largest competitive generation business, completed the IPO of NRG Yield, it created a first-of-its-kind business in the U.S. that is focused on keeping pace with the country’s growing need for environmentally responsible power. NRG Yield consists predominantly of renewable and gas-fired generation capacity that has been contracted over the long term by its utility customers. NRG Yield also proved to be a compelling investment opportunity for a variety of investors. The key: securities that offered generally stable, long-term cash flows with the prospect for growth. Yield Company structures enable energy businesses such as NRG to expand the investor base for its portfolio of assets, creating a cost-of-capital advantage to economically fund the acquisition and development of assets that are well-positioned for the future. Co-led by Goldman Sachs, the $495 million offering attracted a wide range of yield-conscious investors. A portion of the proceeds from the IPO allows the company to continue investing in the future of the industry, such as the 250-megawatt California Valley Solar Ranch, a utility-scale power plant with 10 vast solar arrays that follow the path of the sun, and capture up to 25 percent more energy than traditional systems.

Goldman Sachs team members who supported the NRG Yield IPO: John Yanchek, Chuck Park, Jeff Pollard, Georgios Triantafyllou, Olympia McNerney, Matt Gibson, Shaan Goswami, Investment Banking Division

As both developed and emerging market economies seek to create more diversified energy streams, wind power, both stand-alone and grid-connected, is becoming a more substantial energy source. In India, ReNew Power, whose mission is to enable the country to meet ambitious renewable energy targets, has already become a leader in the fast-growing renewable energy industry, with close to 400 megawatts of operating wind capacity. To date, Goldman Sachs and affiliated funds have invested $320 million to help ReNew Power expand, and Goldman Sachs has entered into a deal with ReNew to purchase wind power for our office in Bangalore.
The next generation of entrepreneurs is capitalizing on a faster innovation cycle, new technologies and a more connected landscape.

In 2013, a rising generation of technology-savvy entrepreneurs brought new products and disruptive ideas into the global spotlight. The most productive innovators of 2013 set ambitious goals and were successful due to their creativity, market insights, unshakable fortitude and strategic execution. At Goldman Sachs, we work with new entrants and disruptive companies that change the way businesses compete and drive progress.
IN A WORLD OF LARGELY INCREMENTAL INNOVATION, RADICAL THINKERS CAN HAVE THE BIGGEST IMPACT

NO ONE EPITOMIZES TRANSFORMATION more than Elon Musk. From his trailblazing electric car company, Tesla Motors, to his proposed solar-powered Hyperloop intercity transporter, Musk’s ideas are intended not merely to challenge convention — but to shatter it. Simply put, Musk doesn’t know how to think small. As his ideas continue to move from concept to reality, they often do so with the assistance of Goldman Sachs. For example, in 2013, we helped to raise over $1 billion in financing for Tesla Motors, serving as sole manager and lead left bookrunner for respective offerings of common stock and convertible bonds.
ENTREPRENEURSHIP

Strong Networks Among Entrepreneurs Are Helping Innovators Grow Their Businesses and Scale Quickly

“Take advantage of the opportunities in front of you, take a risk, jump.”

Elizabeth Cutler, SoulCycle co-founder and co-CEO, looks forward to expanding her company to new cities, overseas and across the Internet.

“‘I’m not selling something that’s just a product for me. This is my life, and I’m all in.’

Ben Milne, Dwolla co-founder and CEO, founded a stand-alone payment network and infrastructure after seeing his profits diminished by credit card fees.

“‘When you’re an entrepreneur, your passion and vision are so strong that it’s almost impossible for somebody to knock you over.’

Julie Rice, SoulCycle co-founder and co-CEO, helped found the popular indoor cycling chain because she believed spin class “could be so much more.”

“First-movers do not always rise to the top — creativity, a sound business model and a keen understanding of consumer preferences set enduring market leaders apart

Daniel Ek and Martin Lorentzon in Sweden saw a sea change in the way the world discovers, buys and listens to music. Founded in 2008, Spotify became a global leader in online music subscription because Ek and Lorentzon identified the right mix of a successful freemium model, social networking features and a service that gives users access to over 20 million tracks. The company has grown with strategic advice and financing from a number of investors, including Goldman Sachs. Spotify now has over 24 million active users and over 6 million paying subscribers worldwide.

As data becomes a key strategic resource for businesses, powerful data storage solutions are becoming mission-critical. Nimble Storage CEO Suresh Vasudevan saw this opportunity and helped companies around the world rethink their traditional approaches to data storage. The idea: a hybrid, Flash-optimized storage platform powered by a new storage operating system that integrates the speed of solid-state storage with the efficiency of high-capacity disk storage. The result: a new solution that delivers higher performance, uses less hardware and provides next-generation support through an innovative cloud-based service. In December, Nimble raised $193 million in its IPO, lead managed by Goldman Sachs.

ENTREPRENEURS WITH THE RIGHT ANSWER, AT THE RIGHT MOMENT, EXPERIENCE RAPID GROWTH

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View video
David Solomon on the challenges and opportunities facing entrepreneurs today. Go to: goldmansachs.com/annual-report-2013/david-solomon

View their videos
Go to: goldmansachs.com/our-thinking/our-conferences/builders-and-innovators-2013
U.S. entrepreneurs are continuing to create new jobs

We’ve continued to expand Goldman Sachs’ 10,000 Small Businesses program in the U.S., helping entrepreneurs across the country to create jobs and economic opportunity by providing greater access to education, capital and business support services. Through collaboration with leading business schools, the $500 million program delivers an integrated curriculum of management classes and the professional support to develop a strategic and customized business growth plan. In a recent survey conducted by Babson College, 63.7 percent of program graduates increased revenues within six months and 44.8 percent added new jobs.

For comparison, 18 percent of U.S. small businesses surveyed by the NSBA added jobs from July 2012 to July 2013.

Adding New Jobs

45% of 10,000 Small Businesses participants added new jobs 6 months after graduating

18% For comparison, 18 percent of U.S. small businesses surveyed by the NSBA added jobs from July 2012 to July 2013

98% of the businesses in the U.S. have fewer than 20 employees

55% of all jobs provided in the U.S. are from small businesses

In the U.K., local economies benefit meaningfully from communities of entrepreneurs

In the United Kingdom, high-growth entrepreneurial businesses generate a disproportionate number of jobs and innovations. Such businesses are the primary focus of 10,000 Small Businesses U.K., a Goldman Sachs Foundation initiative that offers entrepreneurs business training, networking opportunities and support in accessing capital. A key objective of the program is to help create networks of local “communities of entrepreneurs” across the country. Community building was a major focus of the last gathering of program alumni in London, who convened not only for the chance to hear about growth strategies from notable corporate leaders, but also for the opportunity to meet other entrepreneurs, make business connections and find solutions to commonly shared problems.

“Small business owners are, by their very nature, very entrepreneurial. Often, they’re experts in their field. What they sometimes aren’t, are experts in running a business. Our 10,000 Small Businesses program aims to give people core skills necessary to grow a business.” — Michelle Pinggera, international chief of staff at Goldman Sachs

View video
Michelle Pinggera on developing entrepreneurs and 10,000 Small Businesses U.K. Go to: goldmansachs.com/annual-report-2013/michelle-pinggera

View video
Learn about how 10,000 Women is helping to create access to capital for women entrepreneurs. Go to: goldmansachs.com/our-thinking/focus-on/investing-in-women/capital-for-women-entrepreneurs.html

CLOSING THE CREDIT GAP: PROVIDING CAPITAL FOR WOMEN ENTREPRENEURS GROWS BUSINESSES AND HELPS LOCAL COMMUNITIES

THE GOLDMAN SACHS 10,000 Women initiative reached an important milestone in December when the 10,000th woman was enrolled in business and management education. To further deepen its commitment to women entrepreneurs around the world, Goldman Sachs 10,000 Women recently launched a $50 million new partnership with IFC to create the first-ever global finance facility for women-owned small and medium enterprises (SMEs), which will enable approximately 100,000 women to access capital. New research by Goldman Sachs, Giving Credit Where It Is Due, shows that access to credit is the biggest constraint on growth for women-owned SMEs, and that closing this credit gap for women could increase per capita income in BRIC and Next 11 countries by an average of 12 percent by 2030. Coupled with the business and management education that 10,000 Women will continue to provide globally, the capital this new partnership will catalyze will give women entrepreneurs a greater chance of reaching their full potential. The Goldman Sachs Foundation will provide a $32 million anchor investment in order to catalyze capital from commercial investors and bilateral donors. The facility will extend lines of credit and share risk with local banks in emerging markets, enabling them to on-lend to women-owned SMEs. In order to spur innovative approaches to lending to women entrepreneurs, The Goldman Sachs Foundation will provide an $18 million anchor donation to fund capacity building support for banks and women borrowers. This support will address the barriers to banks deploying capital and women entrepreneurs accessing it.

Read the report

View video
Learn about how 10,000 Women is helping to create access to capital for women entrepreneurs. Go to: goldmansachs.com/our-thinking/focus-on/investing-in-women/capital-for-women-entrepreneurs.html

Goldman Sachs 2013 Annual Report 21
IN TODAY’S COMPLEX ENVIRONMENT, CLIENTS ARE FOCUSED NOT ONLY ON GROWTH, BUT ALSO ON NAVIGATING A WORLD OF COMPLICATED AND, OFTEN, INTERCONNECTED RISKS

From fluctuating currencies to shareholder activists and myriad environmental challenges, assessing and managing risk is increasingly complex — and critical. That’s why, more than ever, both companies and investors view risk as a highly strategic issue — and why we have seen a rapid rise in risk consciousness more broadly. Our clients turn to Goldman Sachs for our deep risk management expertise to help them manage their most important and complex risk exposures.
FOR COMPANY LEADERS, ACTIVIST INVESTORS PRESENT NEW CHALLENGES — AND OPPORTUNITIES

According to Gene Sykes, co-head of Global Mergers & Acquisitions at Goldman Sachs, the rise of shareholder activism is one of the most profound recent shifts in corporate governance.

Q: What’s different?
A: Through proxy rules and other changes, large shareholders have gained more power, whether they’re seeking return on capital or trying to influence M&A strategy.

Q: How are companies responding?
A: By understanding that the relationship has fundamentally changed. They can no longer make big decisions without possible pushback — or they may be forced to make big decisions they might not make on their own.

Q: How does it affect Goldman Sachs?
A: It’s an issue we have to help clients manage because it affects all public companies. It’s now at the center of M&A and other aspects of our business.

View video

“THE WORLD IS MORE COMPLEX, markets are more volatile, and the economy, with each passing year, is more global in nature,” says Jim Esposito, head of the EMEA Financing Group at Goldman Sachs.

“With global interconnectedness on the rise, company managers now view risk management as a strategic priority, spanning a variety of markets including currencies, commodities, credit and equities.” Esposito adds that “clients seek our advice because risk management is part of our DNA.”

View video
Jim Esposito on risk management. Go to: goldmansachs.com/annual-report-2013/jim-esposito
Our job is to look around corners and figure out what could happen that we may not yet have anticipated,” says Liz Robinson, Global Treasurer of Goldman Sachs. “Instead of looking separately at market risk versus credit risk versus reputational, liquidity or operational risk, we look across the spectrum of those risks to understand how they interrelate.”

In seeking to increase the flexibility of the capital structure at one of its portfolio companies — Spanish bus company Avanza Group — Doughty Hanson, the private equity firm, had two goals in mind. First, like many companies across Europe, it sought to replace a rigid, syndicated loan facility with a new financing structure that would allow greater flexibility and reduce reliance on bank capital. Second, it sought to ensure that any new capital structure would remain in place should the firm decide to monetize its stake in Avanza in the future. With the help of Goldman Sachs, Doughty Hanson overcame both challenges with the issuance of €490 million in high-yield bonds with an innovative feature known as “portability,” which ensured that financing could remain in place when the company was purchased by new owners.
Managing Risks Within

The strength and integrity of our client franchise is vital to the firm’s continued success. Sustaining the firm’s focus on the interrelationship between client service, business standards and reputational risk is the responsibility of the Client and Business Standards Committee (CBSC).

How does the CBSC operate?

- **Convening senior leaders** several times a month, the CBSC is able to address pressing issues from multiple perspectives because it includes representatives from all of our client-facing divisions and our major control functions at the firm.
- **Allowing time for open discussion** at the beginning of every meeting, committee members are free to raise any concerns related to clients, business standards and reputational risk, whether specific to Goldman Sachs or the broader financial services industry.
- **Receiving regular reports** from both client-facing and control divisions, the CBSC monitors the current state of our client franchise, challenges facing our clients and the financial performance of our businesses.
- **Focusing on key risks**— every report to the CBSC from our business units and control functions must provide an assessment of ongoing and emerging risks. By requiring business units to engage in the discipline of preparing key risk assessments, the committee ensures that reputational risk remains at the forefront of business leaders’ thinking.
- **Working with a network of divisional and regional CBSCs**— subcommittees ensure that distant risk issues rise to the top, and that every level of the firm remains focused on the importance of the client franchise and managing reputational risk.

Go to: goldmansachs.com/business-standards

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As companies consider their risk profile, environmental risk management is increasingly important

From the pressures of rising population and consumption to urbanization and climate change, the need to pursue sustainability and manage environmental risks is a growing imperative both for our clients and for Goldman Sachs. The Environmental Markets Group at Goldman Sachs works closely with deal teams to conduct enhanced due diligence on transactions that involve significant environmental issues and, where appropriate, advise clients on how to mitigate these risks. Whether it is working with an extractive company in strengthening its commitment to sustainable development or engaging with an emerging market power company in facilitating the adoption of industry best practices, through proactive engagement with our clients we are able to differentiate our advice and create a better outcome for the environment, our clients and our own risk management. Given the breadth of the clients we work with, over time, we also play a part in facilitating better environmental practices and policies across industries and geographies, and ensuring a more sustainable outcome.

Our approach to environmental risk management is guided by our Environmental Policy Framework and 14 sector and subsector guidelines. Go to: goldmansachs.com/environmentalmarkets

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Kevin Smith, Kyung-Ah Park and David Sperry, members of the Goldman Sachs Environmental Markets Group