Testimony of David M. Solomon
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Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs

Chairman Brown, Ranking Member Scott and members of the Committee, I appreciate the opportunity to testify before you today.

Overview of Goldman Sachs

Goldman Sachs is a leading global financial institution that delivers a broad range of financial services to a large and diversified client base. Our clients include pension plans and retirement funds, endowments and foundations, large and small businesses, financial institutions, governments, start-ups, charities, nonprofits and individuals. Founded in 1869, we are headquartered in New York and maintain offices in all major financial centers around the world. Over the course of more than 150 years we have evolved considerably from a small enterprise to a global leader in investment banking, securities and trading and investment management.

We have offices in over 50 cities in the United States and in over 35 countries around the world. Our primary bank subsidiary, GS Bank USA, is headquartered in New York City. The Bank operates two domestic branches, which are located in Salt Lake City, Utah and Draper, Utah. The Bank also has a foreign branch in London.

Goldman Sachs sits at the center of the U.S. capital markets, which form the bedrock of our financial system and underpin America's innovation and economic dynamism. These markets are the engine that drive investment, facilitate capital flows and fuel economic expansion. In fact, 75% of debt financing for U.S. businesses and state and local governments is conducted through our capital markets.[1]

Specifically, at Goldman Sachs, we advise companies on buying and selling businesses, raising capital (including through initial public offerings) and managing risks, which enables them to innovate and grow through acquisitions or divestitures. We help local, state and national governments finance their operations so they can invest in infrastructure such as schools, hospitals and roads. Additionally, in a complex and interconnected global economy, businesses face numerous financial risks ranging from currency fluctuations and commodity price volatility to interest rate variations and credit risk. With our global reach, we help our corporate or institutional clients (such as pension funds and other asset managers) manage risk in all key financial markets, including equities, bonds, currencies and commodities so that capital flows, jobs are created and economies can grow.

Moreover, we help ensure our capital markets remain efficient and liquid, so investors and companies can meet their needs, whether to invest, raise capital or manage risk. Specifically, through our activities within the capital markets, we facilitate the buying and selling of financial instruments, ensuring fair prices and efficient market functioning. The liquidity we provide allows investors to enter and exit positions with ease, which simultaneously attracts more participants, thereby deepening the cycle of capital markets and enhancing general investor confidence.

We also preserve and grow assets for institutions, including mutual funds, pension funds and foundations, as well as individuals. We invest our capital in private companies to help them grow their business and increase employment. We provide advisory solutions, including financial planning and counseling, and manage assets for individuals. We provide transaction banking and other services, including cash management services such as deposit-taking and payment solutions for corporate and institutional clients. And we accept consumer deposits and issue credit cards through partnership arrangements.

[1] SIFMA, 2023 Capital Markets Fact Book 6 (July 2023), available at https://www.sifma.org/wp-content/uploads/2022/07/2023-SIFMA-Capital-Markets-Factbook.pdf.

A detailed description of our global banking business, asset & wealth management business and consumer and small business portfolios is below.

Global Banking & Capital Markets Activities

As a general matter, our capital markets activities include underwriting, client transactions, market making and client financing. Goldman Sachs underwrites public offerings and private placements, including local and cross-border transactions, and provides acquisition financing of a wide range of securities and other financial instruments to a diverse group of corporations, financial institutions, investment funds and governments. We provide strategic advice with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs and equity and debt underwriting of public offerings and private placements. We also facilitate client transactions and make markets in fixed income, equity, currency and commodity products with institutional clients, such as corporations, financial institutions, investment funds and governments. In addition, we make markets in and clear institutional client transactions on major stock, options and futures exchanges worldwide and provide prime financing (including securities lending, margin lending and swaps), portfolio financing and other types of equity financing. We also provide various forms of financing to corporate clients globally.[2]

Asset & Wealth Management Activities

In our Asset & Wealth Management business, we manage assets and offer investment products across all major asset classes to a diverse set of clients, both institutional and individual. We also provide investing and wealth advisory solutions, including financial planning and counseling, and executing brokerage transactions for wealth management clients. We also make equity investments, which include investing activities related to public and private equity investments in corporate, real estate and infrastructure assets, as well as investments through consolidated investment entities, substantially all of which are engaged in real estate investment activities. In general, we do not make investments in rental housing, with the exception of a few single-family rental investments in the United States.

Consumer and Small Business Portfolios

Over the last year, we have significantly narrowed our ambitions for our consumer strategy. We currently provide consumer products through our digital banking platform, *Marcus by Goldman Sachs* (Marcus), and through partnerships with Apple and General Motors. Through Marcus, we offer a high-yield savings account and certificates of deposit. Through our partnerships, we offer consumer credit cards such as the Apple Card, and we accept deposits through a savings account offered to Apple Card users. Across the majority of our products, we do not charge fees. With regard to active-duty military members, we lower their interest rates to 4% for Apple Card and GM Card, which is lower than the maximum interest rate of 6% for servicemembers per the Servicemembers Civil Relief Act.

We do not offer mortgage products to consumers, except as an accommodation to existing private wealth clients and certain employees. We also do not offer retail consumer checking accounts and therefore do not charge overdraft fees.

Goldman Sachs does not have a significant small business portfolio. We offer credit to certain small businesses under two discrete programs. Under the first program, we provide revolving lines of credit to sole proprietors and small businesses organized or domiciled in the United States and its territories for their business purposes. The only fee charged on these accounts is a late fee. Under the second program, we have a General Motors co-branded portfolio of small business credit card accounts. This second program does not have any fees except for industry standard late fees.

Workforce

As of the end of Q3 2023, we had 45,900 employees, with 50% based in the United States, in addition to contractors and contingent workers who work globally. We pay competitive levels of total compensation to our employees based on the roles they perform and the markets in which we operate, and our

[2] See pages 35–36, 41, 43, 53–55 and 126–128 of the Goldman Sachs Q3 2023 Form 10-Q for publicly available aggregate data on our derivatives obligations, leveraged lending, lending to private equity, credit, hedge funds and repo market business.

minimum compensation levels in the United States exceed $15 per hour. In accordance with SEC rules, we calculated and disclosed the ratio between my FY 2022 compensation, and the median of the 2022 compensation of all of our other employees. For 2022, this ratio was approximately 211:1.

Goldman Sachs Remains Well-Capitalized

We can facilitate the above client activities because of the strength of our balance sheet and our resiliency. As a result of Dodd-Frank and other reforms, today the U.S. financial system is substantially safer and more resilient against failure or disruptions in critical services than it was prior to the financial crisis. The largest financial institutions, including Goldman Sachs, are more able to withstand stress events and are also ultimately more resolvable without threatening the financial system or needing government support, consistent with Dodd-Frank's resolution plan requirements. We have significantly more capital and usable total loss-absorbing capacity (TLAC), which could be converted to equity in the event that our equity capital falls below the regulatory required minimums. We have also reduced the percentage of our liabilities that consist of short-term wholesale funding, while at the same time significantly increasing the percentage of our assets consisting of cash and other high-quality liquid assets since prior to the enactment of these reforms.

Additionally, since 2009, we have devoted substantial resources across our firm to not only improve the resilience and resolvability of Goldman Sachs, but also to reduce complexity in our structure and make our firm more efficient. We believe that resolution plans have become considerably more sophisticated as they have evolved over the past decade to effectively safeguard taxpayers from the failure of the largest U.S. banks, as we meet our internal requirements and demonstrate to our regulators that we have robust capabilities, an appropriate legal structure and sufficient levels of capital and liquidity to facilitate an orderly wind-down.

There has been a significant change to the firm's balance sheet and risk profile since the financial crisis, reflecting decreased risk and complexity. Specifically, since the end of 2007 and as of the end of Q3 2023, at Goldman Sachs:

- Our common equity is nearly 3x in absolute terms (from $40 billion to $106 billion); as of Q3 2023, our common equity tier 1 ratio was 14.8% under both the Standardized approach and the Advanced approach.
- Our gross leverage has decreased by 49% (26.2x to 13.4x).
- Our TLAC (i.e., loss-absorbing long-term debt and equity instruments) was 41.5% of our risk-weighted assets as of Q3 2023, exceeding our minimum requirement of 22.0%.
- Our Liquidity Coverage Ratio is 125% average and our Net Stable Funding Ratio is 117% average, both exceeding our minimum requirements of 100%.
- Our average liquidity pool has increased more than 5x in absolute terms (from $64 billion to $406 billion) and increased more than 3x as a percentage of our average total assets (from 6% to 26%).
- Our deposit funding has increased approximately 27x (from $15 billion to $403 billion) and increased 12x as a percentage of our funding sources (from 3% to 36%).
- Our Level 3 assets, which are illiquid, have decreased by more than 50%.

In addition, the Federal Reserve's stress tests have consistently confirmed that all of us here have sufficient capital to withstand a severe global recession. As an example, the scenario has included a 50% decline in equity prices within a year in addition to a separate global market shock that also features a dramatic instantaneous decline in equity prices. We have also served as a source of strength to the economy in times of real stress—during the European debt crisis, throughout the pandemic, the Ukraine war and regional bank failures. For these reasons, Federal Reserve Chair Powell,[3] Treasury Secretary Yellen[4] and countless other government officials of both political parties have repeatedly stated that the largest banks are strong and well-capitalized, prudentially sound and resilient.

Concerns with Basel III Endgame Proposal

Despite all of the above, and without any indication that the largest U.S. banks are under-capitalized, the U.S. banking agencies have proposed a new set of capital rules referred to as the Basel III Endgame. Following the financial crisis, these rules were conceived to create a common set of international capital standards, without raising the aggregate amount of capital. However, the U.S. proposal does exactly the opposite: it is significantly more stringent than any other jurisdiction, and it would increase our capital requirements by about 25%.

Federal Reserve Chair Jerome Powell acknowledged this issue in his statement on the Basel proposal, noting that "the proposal exceeds what is required by the Basel agreement and exceeds as well what we know of plans for implementation by other large jurisdictions."[5] Similarly, European Central Bank Supervisory Chair Andrea Enria said "[Under U.S. rules], requirements would be significantly higher for the European G-SIBs."[6]

Although this increase in capital is a result of a number of over-calibrations throughout the proposal, we want to highlight one of the issues that is particularly punitive to capital markets activities. The proposal nearly doubles the capital for market making activity. These higher requirements are layered on top of the global market shock discussed above, without any consideration for how they interact, resulting in a significant double count. As a result, banks will need to hold capital twice for the exact same risks associated with market activities.[7]

In his public dissent regarding the Basel proposal, Governor Waller expressed a similar concern: "It is not clear to me why our large banks should face a further roughly 70 percent hike in market risk capital requirements, on top of the existing post-crisis requirements to address risks in the trading book, including market risk capital requirements plus the stress test. And I worry that doing so could discourage those banks from engaging in certain market making activities, which could impede market functioning."[8]

This has a particularly negative impact to capital markets functioning. As of the third quarter, the institutions most impacted by this proposal accounted for two-thirds of both lending and capital markets

[3]Jerome H. Powell, Federal Reserve Chair, Statement on request for comment on proposed rules to strengthen capital requirements for large banks (July 27, 2023), https://www.federalreserve.gov/newsevents/pressreleases/powell-statement-20230727.htm ("The U.S. banking system is sound and resilient, with strong levels of capital and liquidity."); Jerome H. Powell, Federal Reserve Chair, Statement at Federal Open Market Committee Press Conference (March 22, 2023), https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20230322.pdf ("Our banking system is sound and resilient, with strong capital and liquidity."); Testimony of Jerome H. Powell, Federal Reserve Chair, Hearing Before the House Committee on Financial Services, 117th Cong., 2nd Sess. at 36 (June 23, 2022) ("Basically, the financial markets have been functioning well, and the banking system, in particular, is very strong, well-capitalized."), https://www.govinfo.gov/content/pkg/CHRG-117hhrg48333/pdf/CHRG-117hhrg48333.pdf.

[4] Janet L. Yellen, U.S. Treasury Secretary, Transcript of Treasury Secretary Janet Yellen on "Face the Nation" (March 12, 2023) ("[W]hat I do want to emphasize is that the American banking system is really safe and well-capitalized, it's resilient."), https://www.cbsnews.com/news/janet-yellen-face-the-nation-transcript-03-12-2023/.

[5]Jerome H. Powell, Federal Reserve Chair, Statement on Proposed Capital Rules (July 27, 2023), https://www.federalreserve.gov/newsevents/pressreleases/powell-statement-20230727.htm.

[6] Andrea Enria, Chair of the Supervisory Board of the ECB, Speech at the EUROFI 2023 Financial Forum organised in association with the Spanish Presidency of the Council of the EU (Sept. 14, 2023), https://www.bankingsupervision.europa.eu/press/speeches/date/2023/html/ssm.sp230914~c6c0be0cc6.en.html.

[7] Governor Bowman similarly noted concern with this double counting, "The proposal "introduces new regulatory redundancies, as with changes to the market risk capital rule, credit valuation adjustments, and operational risk that overlap with stress testing requirements and the stress capital buffer." Michelle W. Bowman, Governor of the Federal Reserve Board, Joint Press Release (July 27, 2023), https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20230727.htm.

[8] Christopher J. Waller, Governor of the Federal Reserve Board, Joint Press Release (July 27, 2023), https://www.federalreserve.gov/newsevents/pressreleases/waller-statement-20230727.htm.

activities in the U.S.[9] In addition, since 2010, U.S. banks have underwritten 70% of equity financing and 60% of U.S. dollar public debt financing.[10]

Real changes need to be made to address this over-calibration, or we risk a serious impact on financial institutions' ability to raise and lend money for companies as well as assume risk on behalf of pension funds, mutual funds and other investors. We believe this will negatively harm the American economy without making the U.S. financial system safer.[11] In fact, a recent study by Oliver Wyman found that the U.S. proposal has two winners—foreign banks and nonbanks—and four losers—large U.S. banks, market liquidity, Main Street America and climate transition.[12]

First, we believe the cost of providing credit to our clients like manufacturers and food producers, pension funds, mutual funds, insurance companies, small businesses and energy companies will increase. These costs will likely get passed on to consumers, resulting in higher transportation costs, increased home energy bills, reduced returns on retirement plans and higher food prices. For example, it would quadruple our capital requirements for clean energy tax equity projects and would increase our capital eight times for important transactions that we enter into with pension funds to improve their returns for retirees.

Second, we believe the competitiveness of the U.S. capital markets will be hurt. Our capital markets are the deepest and most liquid in the world. A goal of every financial center in the world is to take market share from America's capital markets. Unfortunately, the U.S. regulators decided not to provide the same flexibilities that the European regulators provided in their Basel rule and instead have proposed much more punitive capital measures. As a result, small businesses and large companies will likely look to European banks for cheaper sources of financing.

Third, we believe the proposal will further drive credit and lending activity outside of the regulated banking sector into the nonbank sector. As more activity moves into parts of the market that regulators have far less visibility into, we could see a buildup of risks that could ultimately lead to financial shocks.

We intend to comment robustly on this rule, and we are actively engaging with regulators on it. Systemic financial stability is critical to the functioning of the U.S. economy, and we should ensure that we are only taking actions that enhance the capacity of financial institutions to support our economy and provide demonstrable systemic benefit.

Investing in Our Communities

Goldman Sachs has been investing and lending in underserved communities for the last 22 years. Our investments address racial, wealth and opportunity gaps across a broad spectrum of impact areas. We view these investments as an opportunity to catalyze economic opportunity and strengthen communities.

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[9] FDIC Quarterly Banking Profile (Q3 2023), https://www.fdic.gov/analysis/quarterly-banking-profile/index.html.

[10] Since 2010, U.S. banks have underwritten 70% of overall U.S. Dollar Equity Capital Markets issuance, 60% of overall U.S. Dollar investment grade bond issuance, and 60% of U.S. Dollar high yield bond issuance. Sources: Dealogic, Bloomberg.

[11] Former Federal Reserve Bank of New York President Bill Dudley noted similar concern: "Equity costs more than deposits or subordinated debt, so banks and their securities units will pass that on in the form of higher lending rates, higher trading costs and reduced market liquidity. It's hard to see how the benefit of greater resilience will outweigh such costs." Bill Dudley, Opinion, *Bigger Financial Cushions Won't Solve Banks' Woes*, WASH. POST, Sept. 11, 2023, https://www.washingtonpost.com/business/2023/09/11/the-fed-s-bank-capital-proposal-isn-t-the-right-answer/f8b54376-508e-11ee-accf-88c266213aac_story.html.

[12] OLIVER WYMAN & MORGAN STANLEY, INTO THE GREAT UNKNOWN (Nov. 2023), https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/nov/Morgan-Stanley-Oliver-Wyman-Wholesale-Banking-Report-2023.pdf.

Within Goldman Sachs, our Urban Investment Group (UIG) invests $2–3 billion dollars annually in support of affordable housing development and preservation, early childcare and education, community health centers and hospitals, access to healthy food, energy efficiency and electrification upgrades and support for small businesses. UIG addresses emergency community needs during crises by responding with inclusive and flexible lending capital. The team has a comprehensive approach to community development by making direct investments in communities which allows us to stay closely aligned with community needs and community stakeholders directly impacted by our investments.

To date, UIG has committed more than $19 billion in loan and investment capital to revitalize communities across the country. Since UIG was founded, our investments have spanned 120 cities in 50 states addressing critical community needs and providing capital for over 37,000 small businesses and supporting the creation and preservation of over 160,000 housing units—the majority of which are affordable to low-, moderate- and middle-income families. Approximately 70% of UIG's investments are located in or serve minority communities.

Since the beginning of 2022, we have deployed more than $4.7 billion nationwide in affordable housing loans and investments. Notable transactions include:

- $454 million joint venture equity to finance the acquisition and preservation of a multifamily portfolio comprising 10,474 majority affordable housing units across 90 assets located in Texas, Illinois, Indiana, Wisconsin, Florida, South Carolina, Kentucky and New York.

- $265 million tax credit investment and letter of credit to build 436 units of affordable housing in East Brooklyn. Goldman Sachs partnered on this transaction with Phipps Houses, New York's largest and oldest nonprofit housing developer. The development will have 66 units set aside for formerly homeless households and includes community facility space for local nonprofit organizations.

- $125 million in tax credit and debt investments to finance the development of a 154-unit, senior independent living affordable housing development in the Bronx, New York. This is a joint venture between Goldman Sachs, Pembroke Residential Holdings and Asland Capital, a Black-led developer.

- $75 million investment with the National Affordable Housing Trust (NAHT) to establish the Black Developers Initiative Affordable Housing Fund, which will finance high-quality affordable housing across the country sponsored by Black-led developers, with a focus on Black women developers.

- $12 million tax credit investment to finance the new construction of a 212-unit mixed-income multi-family residential development in Atlanta, Georgia. The development site is within the Atlanta University Center District, which includes five historically Black college campuses, including Morehouse, Spelman and Clark Atlanta University.

Goldman Sachs Partnerships with CDFIs and MDIs
Through our lending partnerships with Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs) and mission-driven lenders, we provide access to capital for small businesses, student loans for high-achieving low-income undergraduate students and affordable auto loans to address workforce transportation barriers. Given their long track record of serving small businesses in low-income and minority communities, partnering with and helping build infrastructure for CDFIs has been core to our small business lending efforts. Since 2010, we have committed more than $2.3 billion to more than more than 30 CDFIs to support access to capital for underserved small businesses across all 50 states.

In 2022, Goldman Sachs committed $20 million in lending capital to the CDFI, Low Income Investment Fund (LIIF) to create and preserve childcare facilities co-located with affordable housing and other community resources. Over 92% of the early childhood programs LIIF supports are owned or operated by women of color who are challenged in securing the financing that is needed to build new childcare facilities or expand and improve existing program spaces.

Also in 2022, Goldman Sachs committed $20 million to the CDFI Grameen America to fund microloans as part of its Elevate Black Women Entrepreneurs initiative which offers affordable loan capital, business development training and asset- and credit-building tools to improve emerging Black women's income, credit scores and personal savings.

In January 2023, in partnership with New York City, we launched the NYC Small Business Opportunity Fund which is the largest public-private loan fund for small businesses in New York City. The $75 million fund is expected to serve 1,500 small businesses with intentional outreach to BIPOC and women-owned businesses located in low-and moderate-income communities. The fund allows small business owners across the five boroughs of New York City to apply for loans ranging from $2,000 to $250,000 priced at a below market fixed interest rate of 4%, regardless of loan size. A portion of the fund targets early-stage businesses with fewer than two years of operations. The fund is also building the capacity for eight nonprofit CDFIs that are originating the small business loans across the city.

<u>10,000 Small Businesses Program</u>

Through our *10,000 Small Businesses program,* launched in 2010, we deliver a comprehensive business education to small businesses by partnering with more than 100 community colleges and business support service providers. This program has helped entrepreneurs grow their businesses with results-oriented business training, access to capital and personalized support services. More than 14,500 businesses have graduated from the program, employing over 245,000 people and driving more than $17 billion in annual revenue. I am particularly proud that Goldman Sachs is one of the largest private contributors to community colleges in the United States. In 2020, we announced an additional $250 million commitment to the program to serve 10,000 more entrepreneurs. To date, the Program has deployed more than $1.6 billion in loan capital in the United States, reaching 37,000 small business owners.

Additionally, in September 2023, we launched a $100 million *Investment in Rural Communities* through the Program. The $100 million commitment will provide comprehensive support to rural and native owned small business owners and includes $75 million to CDFIs, $15 million to fund the *10,000 Small Businesses* education program and $10 million in access to capacity building grants. The initiative is expected to reach over 800 rural small business owners across 20 states over the next 5 years. In October, we announced a $20 million lending commitment to the CDFI Hope Enterprise Corporation based in Jackson, Mississippi, to support a broader group of eight smaller CDFIs located throughout the South providing small business loans and technical assistance in rural communities.

Our commitment to, and investments in, CDFIs and MDIs are at the core of our strategy to facilitate access to capital and technical assistance to underserved small businesses and a key pillar of our *10,000 Small Businesses* program. At the launch of this program, we committed $300 million in lending capital and grant support for CDFIs, MDIs and other mission-driven lenders. Through this investment and partnerships, we have been able to build the capacity of CDFIs across the country, including enabling them to expand to new markets, launch new lending programs and develop the tech infrastructure that many of them were able to leverage during the pandemic to deliver capital and technical assistance to small businesses at scale at a critical time.

<u>One Million Black Women</u>

Building on our history of investing significant capital in Black communities through our 10,000 Small Businesses program and our Urban Investment Group, we launched an investment initiative called *One Million Black Women*. In partnership with Black women-led organizations and other partners, we will commit $10 billion in direct investment capital and $100 million in philanthropic support to address the dual disproportionate gender and racial biases that Black women have faced for generations, which have only been exacerbated by the pandemic.

One Million Black Women has, in part, been shaped through research, including a report, Black Womenomics, published by Goldman Sachs Investment Research. The research shows that Black women are one of the most marginalized groups in the country, and if we can reduce the earnings gap for Black women, we would see U.S GDP increase by $450 billion a year. We believe if we can narrow opportunity gaps for Black women, we will narrow opportunity gaps for all groups and drive economic progress for the country as a whole.

Our investments will focus on increasing opportunity at key moments in Black women's lives, whether by supporting the creation and preservation of affordable housing, expanding access to quality healthcare, modernizing daycare and primary school facilities in Black communities or providing access to capital to grow a business, among other things. As of Q1 2023, we have committed more than $2.1 billion of investment capital and more than $23 million in grant capital to 137 organizations. Notable investments include:

- A $7.5 million investment in in CareAcademy, a Boston-based online platform that provides training solutions to home healthcare companies and upskills healthcare direct care workers. Home healthcare companies utilize CareAcademy's platform to train newly-hired caregivers to meet licensing requirements and provide experienced caregivers with new skills. The company has significantly increased incomes for over 40,000 caregivers to date.
- A $20 million investment in Laurel Street, a Black-woman led real-estate firm to develop South Meadows, a mixed-use project in Rome, Georgia. The project will increase the number of affordable housing units in the area and host a new early learning center. This project is part of Goldman Sachs's $75 million investment with the National Affordable Housing Trust to establish the Black Developers Initiative Affordable Housing Fund, which finances high-quality affordable housing across the country sponsored by Black-led developers, with a focus on Black women developers.
- A $44.8 million investment to fund the acquisition and rehabilitation of an 8-building, 276-unit affordable housing community located in the Crenshaw neighborhood of Los Angeles, California. The project will be developed by ETHOS Real Estate, a Black-woman-led real estate investment firm, which also offers in-house acquisitions, asset management and development capabilities.
- A $13 million investment to finance the expansion of On the Road, a nonprofit and CDFI that originates auto loans, provides vehicle selection assistance and financial mentoring to remove transportation barriers for low- and moderate-income individuals. 79% of On the Road's clients are Black and 71% are women. On the Road Lending also operates an apprenticeship program for the collision and smart car repair industry to boost earning potential of participants.

This effort cannot succeed without advice and counsel from the broadest range of Black voices possible, so we have created a new advisory council of prominent Black leaders from a wide range of fields including Dr. Ruth Simmons (President, Prairie View A&M University), former Secretary of State Condoleezza Rice, Dr. Valerie Montgomery Rice (President and Dean, Morehouse School of Medicine), Rosalind G. Brewer (former CEO of Walgreens), Bill Bynum (CEO, Hope Enterprise Corporation and Hope Credit Union), Marc Morial (President and CEO, National Urban League) and Darren Walker (President, Ford Foundation). There has never been an investment of this size focused on Black women, and we are proud to bring people together in this historic effort.

Investing in Our People

Delivering on our diversity and inclusion commitments and aspirations, in every aspect of the work we do at our firm, continues to be a top priority. Since becoming CEO, I have been vocal about the importance of advancing our firm's diversity, including with respect to gender, race, sexual orientation, gender identity, veterans, disability and socio-economic status. Increasing the diversity of our people is a business imperative and is essential to our ability to serve our clients, generate long-term value for our shareholders and contribute to our broader communities. A core part of my tenure as CEO will be defined by our progress on this front and that we should have a company that represents the clients, regions and communities we serve.

We are focused on driving accountability and transparency in these efforts and ensuring we have impact not only on the people of Goldman Sachs but also in the communities where we operate. Our annual People Strategy Report provides a comprehensive overview of our approach to attracting, developing, retaining and rewarding our diverse talent. In fact, the people of Goldman Sachs represent 180+ citizenships and 150+ languages spoken. The Report also outlines how our managers and senior leaders support our diversity and inclusion initiatives, including in their roles on our global, regional and divisional diversity committees. Our active employee Inclusion Networks also contribute to our overall strategy and results.

Board Diversity

We have been, and will continue to be, committed to diversity on our Board. Our Governance Committee aims to develop a Board that reflects diverse viewpoints, backgrounds, skills, experiences and expertise. Our Board includes five Directors who are women, two Directors who are Black and one Director who is of Indian heritage. Overall, our Board is 54% diverse based on race, gender and sexual orientation.

Increasing Diverse Representation

Serving a broad and diverse set of clients effectively means reflecting their different experiences, interests and values. In 2019, we set aspirational goals along with a comprehensive action plan that aims to increase diverse representation at all levels of our business. Each year we voluntarily publish our U.S. Equal Employment Opportunity-1 Component 1 data, and our latest submission shows that 43% of our U.S. population are women, 8% are Black and 10% are Hispanic/Latinx. We are making progress and we recognize there is more work ahead of us.

Through this consistent and persistent focus, we have attracted more diverse talent to Goldman Sachs, and in 2023, our global new analyst, summer analyst and associate classes were each composed of 51% women. Our recently promoted Managing Director class is 31% women, 31% Asian, 4% Hispanic/Latinx and 2% Black. Additionally, our 2022 Partner Class, which are our firm's most senior leaders, included the highest percentage of women partners (29%) and Black partners (9%) in our history. Our Management Committee includes 9 women (29%). While measuring representation is important, understanding sentiment around belonging is key to driving inclusion which is why I personally meet with diverse partners and employees at the firm to understand their feedback, ideas and experience first-hand.

In addition, we continue to identify ways to create access to the people, opportunities and culture of the firm through our various diversity recruiting programs. Building upon our long-standing commitment to developing and recruiting students from Historically Black Colleges and Universities (HBCUs), we launched in 2021 a $25 million commitment to HBCUs over five years. To date, we have executed $15 million of that commitment.

The commitment is tied to the *Market Madness: HBCU Possibilities Program*, which provides four-months of training in finance fundamentals to students at HBCUs. Students receive in-depth training, mentorship from Goldman Sachs professionals, a $10,000 stipend and the ability to participate in a final case study competition with grand prizes ranging from $250,000 to $1 million in grants for their institutions. Our goal is to double the number of campus analysts that the firm recruits from HBCUs by 2025.

We have also embraced our responsibility as a leader in our industry to promote change. In 2020, we began a new policy to underwrite initial public offerings for those companies domiciled in Western Europe and the United States only if they have at least one diverse board member. The feedback we've received from clients and investors has been overwhelmingly positive, and in 2021 we raised that figure to two. To date, we have helped place 98 candidates across both private and public company boards: 90% women and ~40% ethnically diverse.

Promoting the Use of Diverse Contractors and Vendors
Our firm has a long history of working with small and diverse businesses as part of our vendor diversity program, which began in 2000 and seeks to drive opportunities with small and diverse business owners. We continue to discover and partner with exceptional businesses through the program in our efforts to achieve a supply chain that reflects the diversity of our people and clients. For example, when constructing our global headquarters in New York, which opened in 2009, we spent more than $300 million with minority- and women-owned businesses, which was the most successful project in the history of New York State's Minority- and Women-Owned Business Enterprise Program at the time.

Our procurement processes promote the inclusion of small and diverse-owned businesses in competitive bids and encourage our larger, non-diverse vendors to do the same. We are broad in our approach to vendor diversity—it's not just women-owned or ethnic minority-owned businesses, but we also include disability-owned, LGBTQ+-owned and veteran-owned and small businesses in our program and efforts.

In 2022, we spent more than $450 million with small and diverse vendors. This represents a 70% increase from our 2020 baseline ($265 million), exceeding our goal of a 50% increase by 2025 and bringing our cumulative spend to over $1 billion in just three years. We have increased the proportion of our supply chain spend with small and diverse vendors from 5% to 7%.

We have set a new goal for 2025: to spend a further $1.5 billion with small and diverse vendors over the next three years. In addition, we continue to partner with our *10,000 Small Businesses Program*, *10,000 Women* and *One Million Black Women* initiatives, among others, to identify small and diverse vendors for upcoming sourcing opportunities. We remain committed to holding ourselves and our vendors accountable in our efforts to increase opportunity for small and diverse businesses.

Veterans
Goldman Sachs employs approximately 1,200 professionals globally with military experience with approximately 500 working in in the Americas. Our Veterans Network consists of over 5,000 members globally, with approximately 3,200 members in the Americas region. The Network exists to drive impact through the power of diverse perspectives, ensuring all veterans thrive at Goldman Sachs and contribute to moving our firm, communities and industry forward. In addition, we provide a range of employment benefits to support our veteran and reservist community including:

- Military Service Leave: We comply with the Uniformed Services Employment and Reemployment Rights Act. Under our policy, when military service necessitates absence from work, active employees are eligible to receive their base pay (as adjusted for any reduced schedule) for up to a maximum of 12 months cumulatively over the entire course of employment with us. We also provide full benefits continuation, on the same terms, where possible, while the employee is on an approved military leave.
- Reserve Duty Leave: If reservists or members of the National Guard are required to attend an annual training period or similar activity, we will pay an employee's full salary rate for the period of training.
- Family Care Leave: We offer four weeks of paid leave during any rolling 12-month period in connection with care of family members relating to any military deployment.

Investing in Sustainability and a Transition to a Green Economy

At Goldman Sachs, we have a long-standing client-centric approach to sustainability. We view climate transition and inclusive growth as key drivers of both risk and opportunity for our clients and our firm. And, while the climate transition has become more challenging recently with current geopolitical tensions, energy supply shocks and tighter monetary policy, sustainability continues to be a priority for Goldman Sachs and our clients. I am proud of our established track record of focusing on environmental matters. In 2005, we were one of the first U.S. banks to adopt a comprehensive environmental policy, acknowledging the scientific consensus that climate change is real and that it is one of the most significant challenges of the 21st century.

In 2019, we developed our Sustainable Finance Framework and announced our firmwide 10-year, $750 billion sustainable finance commitment to support the increasing demand for sustainable finance solutions across our financing, investing and advisory work with clients. Since setting this 10-year commitment, we have achieved approximately 55% of our 2030 target[13], representing $425 billion in commercial activity including $215 billion in climate transition. This progress demonstrates the strength of our client-centric sustainable finance strategy and our ability to direct capital toward solutions necessary to help our clients achieve their sustainability objectives.

At the same time, we are also focused on managing our own carbon footprint. We have been carbon neutral across our own operations and business travel since 2015, and we have since expanded our carbon neutrality commitment to include our supply chain, targeting net zero carbon emissions by 2030. We also have a net zero financing commitment and have set Paris-aligned interim 2030 goals for several sectors where we see an opportunity for Goldman Sachs to help support the energy transition.

At Goldman Sachs, we have long believed the transition to a more sustainable economy would be a complex, decades-long effort. To support that transition, more risk capital must be invested in developing new, clean technologies, especially for industrial sectors such as energy, transport and heavy industry. With fossil fuels still accounting for 82% of global energy mix in 2022,[14] the world has yet to fully transition to renewable energy. Goldman Sachs will continue to support companies in hard-to-abate sectors to help ensure affordable, reliable and secure energy and economic growth as emerging technologies continue to develop and scale. In fact, our *Carbonomics* research team estimates that, to provide affordable energy while also pursuing decarbonization, the energy industry will need $1 trillion more in annual capital expenditures through 2026, compared to what it spent during the final years of the past decade.

Given this reality, we will continue to support our clients in the energy sector as they transition their businesses with innovative sustainability-linked bond financings and large acquisitions and financings in biofuels and renewables. We will also continue to advise, finance and invest in businesses creating new technologies needed for the climate transition such as grid-scale battery storage and production of negative or low-carbon natural gas fuels such as biomethane that can support the transformation of the world's energy supply. In addition, we will continue to work with the public sector to support climate financing in emerging markets, including through the blended finance facility we developed with Bloomberg Philanthropies and the Asian Development Bank to catalyze $500 million of investment in low carbon solutions in South and Southeast Asia.

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[13] As of December 21, 2022.

[14] ENERGY INST., 72ND EDITION OF THE STATISTICAL REVIEW OF WORLD ENERGY (2023), https://www.energyinst.org/statistical-review.

Consumer Data Privacy Practices

Consumer privacy has long been a priority at the firm and is an area of ongoing focus. In 2022, we established a Global Privacy Office and appointed a Chief Privacy Officer in Compliance. We have a privacy program to comply with applicable privacy laws and regulations around the world. With respect to the consumer business, we have processes and procedures to address privacy regulatory obligations that arise out of relevant legislation, including the Gramm Leach Bliley Act, the Fair Credit Reporting Act, the California Consumer Protection Act, the CAN-SPAM Act and others. Our consumer privacy practices include providing transparency through privacy notices, offering privacy choices required under applicable law, having controls associated with sharing personal data with unaffiliated third parties and conducting formal privacy risk assessments as required under applicable law.

In addition, we take seriously our obligations to secure our customers' personal data. For example, to protect consumer information in Marcus, we enforce identity and access controls, encrypt customer and other sensitive data, as well as maintain a mature third-party risk management program. Marcus also requires multi-factor authentication before customers can access their accounts.

Use of Novel Technology

We continue to believe that technological innovation is fundamental to the advancement of our business and our industry. From digital assets to generative AI, technological innovations are changing our businesses and presenting us with new opportunities to better serve customers and markets.

Goldman Sachs has a long history of technology innovation that powers various businesses, including leveraging machine learning and artificial intelligence. As the age of Generative AI begins, we are focused on three key initiatives: enabling business growth and enhancing our client experience; improving our developer & engineering teams' productivity; and increasing our operating efficiency. Operating in a highly regulated industry, the firm is taking a considered and deliberate approach to the potential implementation of any new technology, including Generative AI. Our initial Generative AI testing always mandates our team members take a "hands-on-the-wheel" approach. To this end, the firm has established a global firmwide AI governance process, in order to ensure potential risks, including risks of discrimination, are appropriately assessed and managed before any Generative AI technologies are rolled out beyond a testing phase.

We are also actively exploring ways that blockchain technology can improve financial markets, enhance our operational efficiencies and better serve our clients. Our dedicated digital assets team, along with cross-functional resources throughout the firm, are focused on the potential of tokenization to bolster the efficient movement of collateral across, and increase liquidity within, the financial markets; the use of digital money throughout financial services; and increased operational efficiencies, accessibility, cost savings and transparency. We are also working with policymakers and regulators around the world as they continue to learn and develop guardrails for these new technologies. We continue to believe that a strong regulatory framework is needed to maintain safe and sound markets, but we also think there needs to be a level playing field so banks can continue to innovate and compete with new, under-regulated entrants.

Goldman Sachs Y/E 2022 & Q3 2023 Capital and Leverage Ratios, Profits and Capital Distributions

CET1 Capital Ratios and SLRs		
As of:	Y/E 2022	Q3 2023
Standardized CET1 Ratio	15.0%	14.8%
Advanced CET1 Ratio	14.4%	14.8%
SLR	5.8%	5.6%

Net Earnings, Preferred Dividends, Common Share Repurchases, and Common Dividends *($ in millions)*		
For the period ended:	FY 2022	Q3 2023
Net Earnings	$11,261	$2,058
Preferred Dividends	$497	$176
Common Share Repurchases	$3,500	$1,500
Common Share Dividends	$3,203	$937

Compliance with Applicable Laws

Goldman Sachs is committed to a legal and compliance framework that decisively addresses issues as they arise, and which also is intended to identify issues that are to come. We acknowledge that we have been party to enforcement actions by federal agencies, including actions by the CFTC and SEC in 2023, and we believe it is our obligation to be self-reflective and self-critical in response. We thus continue to strengthen firm controls, processes and culture to help ensure compliance with all applicable laws and regulations that govern us.

We recognize that industry risks continue to evolve, so we will never be done enhancing our compliance program and reputational risk framework. We will continue making enhancements to ensure appropriate controls are in place to minimize the risk of conduct that violates applicable laws or impacts our reputation. In that regard, in the last few years, we have made significant enhancements to our compliance and internal controls, including, for example:

- broadening our supervisory oversight in the businesses;
- establishing a firmwide market conduct risk framework;
- redesigning our framework for addressing reputational risk;
- strengthening anti-bribery and anti-corruption controls for intermediaries and third parties;
- implementing a range of additional surveillance tools, many based on new technologies, to monitor trading activities and detect any employee misconduct; and
- ensuring our employees understand the firm's expectations that they are responsible for living up to our core values and complying with the law, including by uplifting and relaunching our Code of Business Conduct and Ethics and by improving firmwide employee training on compliance responsibilities.

We strive to hold ourselves to the highest standards, through a culture rooted in integrity, shaped by a long-term mindset and guided by a sense of personal accountability and responsibility for our actions.