



Goldman Sachs Environmental Policy Framework

Goldman Sachs believes that a healthy environment is necessary for the well-being of society, our people and our business, and is the foundation for a sustainable and strong economy.

Goldman Sachs recognizes that diverse, healthy natural resources - fresh water, oceans, air, forests, grasslands, and agro-systems - are a critical component of social and sustainable economic development. Forests are particularly important for the environment and biodiversity. They are vital to water and air quality, and help regulate climates. Forests are home to thousands of wildlife species, and, at the same time, represent a natural source of timber. The key challenge for society is to manage the competing human demands on land, soil and vegetation without undermining crucial ecosystem functions.

We take seriously our responsibility for environmental stewardship and believe that as a leading global financial institution we should play a constructive role in helping to address the challenges facing the environment. To that end, we will work to ensure that our people, capital and ideas are used to help find effective market-based solutions to address climate change, ecosystem degradation and other critical environmental issues, and we will seek to create new business opportunities that benefit the environment. We will work to identify policy measures that are creative, meaningful and provide real solutions to environmental problems while recognizing the importance of economic growth in contributing to the alleviation of poverty. In pursuing these objectives we will not stray from our central business objective of creating long-term value for our shareholders and serving the long-term interests of our clients.

Climate Change

Goldman Sachs acknowledges the scientific consensus, led by the Intergovernmental Panel on Climate Change, that climate change is a reality and that human activities are largely responsible for increasing concentrations of greenhouse gases in the earth's atmosphere. We believe that climate change is one of the most significant environmental challenges of the 21st century and is linked to other important issues such as economic growth and development, poverty alleviation, access to clean water, and adequate energy supplies. How governments and societies choose to address climate change will fundamentally affect the way present and future generations live their lives. Goldman Sachs is very concerned by the threat to our natural environment, to humans and to the economy presented by climate change and believes that it requires the urgent attention of and action by governments, business, consumers and civil society to curb greenhouse gas emissions.

We recognize that as a global company we have an impact on the environment through the goods we purchase, the manufacturing and production we finance, and the investments we make. As an institution that brings providers and users of capital

together, we believe that capital markets can and should play an important role in creating opportunities to address today's environmental challenges. Markets are particularly efficient at allocating capital and determining the appropriate prices for goods and services we purchase. The government can help the markets in this regard by establishing a strong policy framework that creates long-term value for greenhouse gas emissions reductions and consistently supports and incentivizes the development of new technologies that lead to a less carbon-intensive economy. Working with governments, the private sector can then take the lead in further developing these markets, establishing better price transparency, creating incentives for innovation, and finding cost-effective alternatives. To that extent, we believe the following principles should guide public policy development:

- Policies and actions should be based firmly on science and rational economics.
- Policy frameworks should be based on market-based mechanisms to set clear, transparent and consistent price signals.
- Voluntary action alone cannot solve the climate change problem.
- Policies should encourage conservation and efficient use of energy as an important part of a comprehensive solution.
- Solutions must be global in scope.
- Climate change should be viewed in conjunction with other major challenges, e.g. conservation of ecosystems, access to water, poverty alleviation and economic growth.
- Implementation requires an integrated approach to identify where there is the greatest leverage to help mitigate potential problems.

Our Business and the Environment

Each of our major business areas has an important role to play in integrating this policy into our operations. For example, our investing businesses will take the lead in identifying investment opportunities in renewable energy. As market makers, we will continue to look for opportunities to create more efficient markets for environmental products and services, and to participate in them as active market makers and liquidity providers. Through our research function, we will continue to measure the impact of environmental risk and business opportunities relating to the mitigation of such risk on individual companies and sectors. For our financial advisory function, a better understanding of environmental impacts and capabilities will make us a more effective adviser to and partner with our clients. Finally, where appropriate, we will continue to support conservation efforts to preserve the value of highly fragile ecosystems and protected areas which are particularly threatened, as we have done with respect to Tierra del Fuego and our partnership with the Wildlife Conservation Society.

Direct Impact on Operations: Goldman Sachs recognizes that an effective environmental policy must first begin with a focus on minimizing the impact of our own operations. Accordingly, we will make efforts to ensure that our facilities and business practices adopt leading-edge environmental safeguards. We will disclose the environmental impact of our operations, and reduce those impacts, wherever practical. We plan to report on a number of factors, including greenhouse gas emissions and electricity use.

- We plan to reduce our indirect greenhouse gas emissions by 7% from our leased and owned offices by 2012, using a 2005 baseline.
- We will increase our use of recycled and environmentally certified wood, paper and print products, use energy efficient equipment, and purchase more organic and sustainably harvested products and supplies.
- We will purchase more products locally, to reduce the environmental impact related to shipping, where practical.
- We will develop uniform green building standards for use in the construction and major renovation of our facilities, with LEED Gold certification or other whole building standards as the ultimate goal.
- We will develop environmentally sound procurement practices and incorporate environmental criteria into our supplier selection and review processes.
- Goldman Sachs is the owner of Cogentrix, a company which operates power plants in the United States. We will report the annual greenhouse gas emissions from these plants, and will continue to work to reduce direct carbon emissions from them whenever practical. We support the need for a national policy to limit greenhouse gas emissions and where economically feasible will offer our plants as a demonstration site for innovative technology. We will continue to analyze reduction opportunities and consider potential off-sets.

Market Making and Investments: Goldman Sachs' core competencies include identifying market opportunities, creating efficient market structures, providing liquidity, and investing capital. We believe that we can make a significant positive contribution to climate change, sustainable forestry and ecosystem services through market-based solutions. As such, Goldman Sachs will aggressively seek market making and investment opportunities in the environmental markets described below.

- We will continue to act as a market maker in emissions trading (CO₂, SO₂), weather derivatives, renewable energy credits, and other climate related commodities, and look for ways to play a constructive role in promoting the development of these markets.
- Goldman Sachs intends to be a leading U.S. wind energy developer and generator through our recently acquired subsidiary, Horizon Wind Energy (f.k.a. Zilkha Renewable Energy).
- We will make available up to \$1 billion to invest in renewable energy and energy efficiency projects.
- We will evaluate opportunities and, where appropriate, encourage the development of and participate in markets for water, biodiversity, forest management, forest-based ecosystems, and other ecosystem features and services.
- We will continue to devise investment structures for renewable energy and invest alongside our energy clients, such as our wind energy partnership with Shell Wind Energy and our solar energy fund with BP Solar.
- We will explore investment opportunities in renewable and/or cleaner burning alternative fuels such as renewable diesel (such as our investment in Changing World Technologies), ethanol and biomass.
- We will seek to make investments in, and create financing structures to assist in the development and commercialization of, other environmentally friendly technologies.

Research: Goldman Sachs will increase our commitment to systematically incorporate environmental, social and governance criteria into fundamental analysis of companies. We believe that companies' management of environmental and related social risks and opportunities may affect corporate performance. We further believe that the management of risks and opportunities arising from climate change and its regulation will be particularly significant and will garner increasing attention from capital market participants.

We have already produced research on the environmental and social value drivers in the oil and gas industry. We intend to continue this work, and expand it to other sectors. In order to highlight the importance of these issues to investors generally, we have also produced research at the portfolio strategy level.

It is likely that credible research can influence investors, which in turn can help focus more management attention on these issues. To better inform investors about the impact of climate change on long-term growth, we will:

- Broaden our assessment of the impact of environmental and social issues to cover several more sectors, which we anticipate will help to establish the business case for sustainable development.
- Work to make environmental, social and governance criteria a part of best-in-class investment research.
- Meet with clients to discuss issues and trends, based on our research.
- Participate in and convene meetings/seminars with clients, investors, and other experts to discuss strategic issues and identify market trends within industries and sectors.

Policy: We will establish and fund a Center for Environmental Markets to undertake independent research with partners in the academic and NGO community to explore/develop public policy options for establishing effective markets around climate change, biodiversity conservation and ecosystem services. Our public policy views will be informed by this research. At the same time, we recognize that the climate change problem cannot be solved through voluntary action alone and will work to develop partnerships with other organizations to help identify and promote effective and efficient regulatory/policy approaches to reducing greenhouse gas emissions. Goldman Sachs will disseminate this information through a combination of website postings, strategic communications and targeted outreach to engage and educate policy makers and clients on key issues.

- We will develop a research agenda focusing on how markets can contribute to helping solve environmental and related social problems.
- We will convene policy makers, investors, and experts on issues related to climate change, ecosystem services, and economic development.
- We will design an outreach strategy tailored to various audiences, including clients and policy makers in the US, Europe and emerging markets.
- We will develop and disseminate policy papers.

Business Selection and Risk Management:

General: We believe it is important to take the environmental impacts and practices of our clients and potential clients into consideration as we make business selection decisions. We will encourage clients conducting industrial and agricultural activity in environmentally sensitive areas to do so with the appropriate safeguards. We also believe that it is in the interest of our issuer clients to make appropriate disclosure with respect to the environmental impacts of their businesses, including greenhouse gas emissions, and the potential consequences to their businesses of changes in environmental regulation, and we will strongly encourage them to further develop this disclosure.

We will follow the general guidelines developed by the Equator Principles as they apply to our business as described below. The Equator Principles serve as a framework for determining, assessing, and managing environmental and social risk in project financing, based on the policies of the World Bank and its private sector arm, the International Finance Corporation. We will seek to apply the general guidelines to debt and equity underwriting transactions, to the initiation of loans and to investment banking advisory assignments where the use of proceeds is specified to be used for potentially

environmentally damaging projects and where Goldman Sachs is the lead book runner or arranger. In connection with and subject to the foregoing:

- We will adopt explicit prohibitions against financing or investing in industrial activity in certain limited areas which are so environmentally sensitive that they must be preserved in their present condition. Goldman Sachs will not finance any project or initiate loans where the specified use of proceeds would significantly convert or degrade a critical natural habitat.ⁱ In addition, we will not knowingly finance extractive projects or commercial logging in World Heritage sites.ⁱⁱ
- Goldman Sachs prefers to only finance preservation and light, nonextractive use of forest resources for projects in forests whose high conservation values are endangered.ⁱⁱⁱ
- We will develop due diligence procedures around key environmental issues for use in evaluating potential financings.
- Goldman Sachs will strive to protect the highest conservation values in forests with respect to its execution of financings in the logging and forest products industries. We prefer Forest Stewardship Council or a comparable certification when we finance forestry projects that impact high conservation value forests. In this regard, for operations that are not already certified, we will introduce or refer our clients to credible experts who can help establish a rigorous, time-bound, step-wise approach to achieve certification.
- We will not knowingly finance companies or projects that collude with or are knowingly engaged in illegal logging^{iv}. As part of our due diligence where we are in a position to direct or influence such process, we will examine whether clients that process, purchase, or trade wood products from high risk countries^v (and we will encourage such clients to) have certifiable systems in place to ensure that the wood they process, purchase or trade comes from legal sources. Due diligence will include discussions with client representatives as to its practices and monitoring and whether it uses chain of custody certification (e.g. FSC controlled wood standard) for illegal logging. The results of such due diligence will be an important factor in our determination whether or not to engage in financings for such client.
- We will not finance projects that contravene any relevant international environmental agreement which has been enacted into the law of, or otherwise has the force of law in, the country in which the project is located.
- We will provide training, as appropriate, to our employees on environmental issues and practices. We will develop training sessions and provide the tools necessary to make informed decisions.

Indigenous People: Goldman Sachs recognizes that the identities and cultures of indigenous peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. We recognize the rights of these communities regarding issues affecting their lands and territories, traditionally owned or otherwise occupied and used. We prefer to only finance projects in indigenous areas where free, prior informed consultation results in support of the project by the affected indigenous peoples. We will aim to ensure that the project sponsor or borrower, as appropriate, will have demonstrated

that i) consultation approaches that rely on existing customary institutions have been utilized, ii) governmental authorities at the local, regional or national level have provided mechanisms for the affected communities to be represented, consulted or to air grievances, and iii) applicable laws have been upheld.

Private Equity Investments Undertaken by the Firm's Merchant Banking Division: Our private equity investment groups will continue to conduct an environmental review as part of their investment decision process for direct investments in companies in environmentally sensitive industries. The review process analyzes our prospective portfolio companies' compliance with applicable environmental laws and regulations. The environmental review process is an integral part of our private equity investment groups' due diligence review of companies and their management.

Once an investment is made, through their membership on a portfolio company's board of directors (where applicable), our private equity groups monitor their portfolio company's operations with respect to environmental compliance issues.

Implementation: Our environmental policy, which will apply to The Goldman Sachs Group, Inc. and its majority-owned subsidiaries, will be coordinated and overseen by the Office of Corporate Citizenship, reporting directly to the Executive Office. The Office will provide guidance to our various businesses about environmental issues, develop training, and engage with a variety of stakeholders to help Goldman Sachs better manage and understand environmental issues. Implementation of the policies will be the direct responsibility of each of our applicable business units. We will report on our progress annually through our annual report and website.

The policy and its implementation will be reviewed annually with the Board of Directors.

We have consulted many organizations and experts in developing our policy. We will continue to build upon these relationships and consult our stakeholders on a regular basis to help us better understand environmental issues and their impact, and help identify potential opportunities to make a positive contribution in addressing such issues.

ⁱ Critical natural habitats are:

i) existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process); or
ii) sites identified on supplementary lists prepared by the World Bank or an authoritative source determined by IFC's Environment Division. Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for biodiversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species. Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and vulnerability of component species; representativeness; and integrity of ecosystem processes.

ⁱⁱ There are currently 788 World Heritage sites that were nominated by the member countries and selected by independent review panels for their natural and cultural values.

ⁱⁱⁱIn implementing this policy, we will take guidance from the major conservation groups, the Wye River Process and the World Bank's Critical Forest Areas. Our policy will include the following conservation values: rare, endemic, threatened and endangered species, legally protected areas and forests that house vulnerable or threatened cultural sites.

^{iv} Illegal logging takes place where timber is harvested in violation of local and national laws intended to stop illegal logging. Illegal logging includes: a) using corrupt means to gain access to forests, b) extraction without permission or from a legally unauthorized area, and c) the cutting of protected species or the extraction of timber in excess of legal limits or in violation of legally approved forest management plans. Illegal logging has not yet been written into international law although issues relating to illegal logging have been addressed in some fashion by international treaties such as the Convention on Biological Diversity.

^v The World Bank, World Wildlife Fund and others have published data on illegal logging. For Goldman Sachs, a high risk country is one where greater than 50% of annual harvest is illegal.