200 West Street | New York, New York 10282
Tel: 212-357-1584 | Fax: 212-428-9103 | e-mail: beverly.otoole@gs.com

Beverly L. O'Toole
Managing Director
Associate General Counsel

Goldman Sachs

December 31, 2013

Via E-Mail to shareholderproposals@sec.gov

Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: The Goldman Sachs Group, Inc.
Request to Omit Shareholder Proposal of John C. Harrington

Ladies and Gentlemen:

Pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), The Goldman Sachs Group, Inc., a Delaware corporation (the "Company"), hereby gives notice of its intention to omit from the proxy statement and form of proxy for the Company's 2014 Annual Meeting of Shareholders (together, the "2014 Proxy Materials") a shareholder proposal (including its supporting statement, the "Proposal") received from John C. Harrington (the "Proponent"). The full text of the Proposal and all other relevant correspondence with the Proponent are attached as Exhibit A.

The Company believes it may properly omit the Proposal from the 2014 Proxy Materials for the reasons discussed below. The Company respectfully requests confirmation that the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") will not recommend enforcement action to the Commission if the Company excludes the Proposal from the 2014 Proxy Materials.

This letter, including the exhibits hereto, is being submitted electronically to the Staff at shareholderproposals@sec.gov. Pursuant to Rule 14a-8(j), we have filed this letter with the Commission no later than 80 calendar days before the Company intends to file its definitive 2014 Proxy Materials with the Commission. A copy of this letter is being sent simultaneously to the Proponent as notification of the Company's intention to omit the Proposal from the 2014 Proxy Materials.

I. The Proposal

The resolution included in the Proposal reads as follows:

"Resolved: Shareholders request the board of directors conduct a policy review, at reasonable expense, evaluating opportunities for clarifying and enhancing implementation of directors' and officers' fiduciary, moral and legal obligations to shareholders and other stakeholders, and to report on findings, excluding proprietary or legally prejudicial information, no later than six months following the 2014 annual shareholder meeting.

Such a report may include concrete recommendations such as amending the bylaws, articles of incorporation, or committee charters to include specific language articulating or strengthening the company's standards for directors' and officers' conduct and company oversight."

The supporting statement included in the Proposal is set forth in Exhibit A.

II. Reasons for Omission

The Company believes that the Proposal properly may be excluded from the 2014 Proxy Materials pursuant to:

- Rule 14a-8(i)(10), because the Proposal already has been substantially implemented through the Company's Business Standards Committee and its reports and the Company's policies, practices, procedures and public disclosures relating to the fiduciary, moral and legal obligations of its directors and officers; and

- Rule 14a-8(i)(7), because the Proposal relates to ordinary business operations of the Company in that it relates to the Company's legal and ethical compliance program and seeks to micromanage the Company's operations.

A. The Proposal may be excluded pursuant to Rule 14a-8(i)(10) because it already has been substantially implemented through the Company's Business Standards Committee and its reports, and the Company's policies, practices, procedures and public disclosures relating to the fiduciary, moral and legal obligations of its directors and officers.

Rule 14a-8(i)(10) permits the exclusion of a shareholder proposal "[i]f the company has already substantially implemented the proposal." This exclusion is "designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." *Proposed Amendments to Rule 14a-8 under the Securities Exchange Act of 1934 Relating to Proposals by Security Holders*, No. 34-12598, [1976-77 Transfer Binder] *Fed. Sec. L. Rep. (CCH)* ¶ 80,634, at 86,600 (July 7, 1976) (regarding predecessor to Rule 14a-8(i)(10)). The Staff has stated that a proposal is considered substantially implemented if the company's "policies, practices and procedures compare favorably with the guidelines of the proposal." *Texaco, Inc.* (Mar. 28, 1991). The Staff has consistently interpreted this to mean that a company has substantially implemented a proposal when it has put in place policies and procedures addressing the proposal's underlying concern or implementing its essential objective. *See, e.g., Exelon Corp.* (Feb. 26, 2010); *Anheuser-Busch Cos., Inc.* (Jan. 17, 2007). Furthermore, the company need not take the exact action requested and the company may exercise discretion in implementation without losing the right to exclude the proposal. *See, e.g., McKesson Corp.* (Apr. 8, 2011). Accordingly, even if a company has not implemented every detail of a proposal, the proposal still may be excluded provided that the company has *substantially* implemented it.

1. The Proposal has been substantially implemented through the creation of the Business Standards Committee and its reports.

The Proponent requests that the Company conduct a policy review in the wake of the 2008 financial crisis to evaluate fiduciary, moral and legal obligations. The Company, however, has already conducted a wide-sweeping review of similar issues through its Business Standards Committee (the "BSC"), and issued a lengthy and detailed public report that specifically addresses the types of concerns set forth in the Proposal. The Report of the Business Standards Committee, January 2011[1] (the "BSC Report"), attached hereto as Exhibit B, compares very favorably with the report requested in the Proposal.

The Staff has consistently concurred in the exclusion of shareholder proposals requesting a report when the company has already addressed the essential objective of that report, even if it has not issued a separate report in response to that proposal. *See, e.g., Pfizer Inc.* (Jan. 11, 2013) (concurring that a proposal requesting the board issue a report detailing measures to reduce animal testing was substantially implemented by the company's published guidelines and policy); *Exxon Mobil Corp.* (Jan. 24, 2001) (concurring that a proposal for the board to report to shareholders on a pipeline project was substantially implemented by prior analysis of the project and publication of such information on the company's website); *Kmart Corp.* (Feb. 23, 2000) (concurring that a proposal for the board to report on vendor compliance standards was substantially implemented by prior adoption of vendor code of conduct).

In this case, the Proposal requests that the Company's Board of Directors (the "Board") "conduct a policy review, at reasonable expense, evaluating opportunities for clarifying and enhancing implementation of directors' and officers' fiduciary, moral and legal obligations to shareholders and other stakeholders." In May 2010, the Company announced its intention to create the BSC with the far-reaching mandate "to ensure that the firm's business standards and practices are of the highest quality; that they meet or exceed the expectations of our clients, other

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1 Available at http://www.goldmansachs.com/who-we-are/business-standards/committee-report/business-standards-committee-report.html

stakeholders and regulators; and that they contribute to overall financial stability and economic opportunity." BSC Report at 1. The BSC conducted an eight-month review and in January 2011, following that review, published the BSC Report, which entailed 39 specific recommendations for changes and improvements. In conducting this extensive review, the Company engaged two external consulting firms to provide independent advice to the BSC, and established an independent Board committee to oversee the BSC process. In the three years since the publication of the BSC Report, the Company has periodically published updates to the implementation of these recommendations, most recently in the Business Standards Committee Impact Report, May 2013[2] (the "BSC Impact Report"), attached hereto as Exhibit C.

There is significant overlap between the Proposal's requested policy review and report, on the one hand, and the BSC, the BSC Report and the BSC Impact Report, on the other. In particular:

- **Both are responsive to the financial crisis.** The Proposal references the "financial crisis of 2008" as part of the rationale for the requested policy review. Similarly, the BSC was formed to address issues that arose out of the financial crisis of 2008 and the BSC Report references that the "financial crisis has had a profound impact . . . . [i]ts aftermath has been a time of reflection and reform." (BSC Report at 1)

- **Both address obligations to shareholders and other stakeholders.** The Proposal requests that the policy review evaluate specified obligations "to shareholders and other stakeholders." Similarly, the BSC's mandate was to ensure "the firm's business standards and practices are of the highest quality; that they meet or exceed the expectations of our clients, [and] other stakeholders." (BSC Report at 1)

- **Both address fiduciary, ethical and legal obligations.** The Proposal focuses on evaluating opportunities to enhance implementation of "fiduciary, moral and legal obligations." The BSC Report identified six areas for detailed examination that included the Company's relationships with and responsibilities to its clients, conflicts of interests, transparency of disclosures and committee governance standards and practices.

- **Both focus on concrete recommendations.** The Proposal asks for a report that "may include concrete recommendations." The BSC Report in fact made 39 concrete recommendations (BSC Report at 1), all of which have been implemented (BSC Impact Report at 2).

- **Both encourage or utilize independent experts.** The Proposal encourages the Company "to utilize independent experts." The Company in fact engaged two outside consulting firms "to provide independent advice" to the BSC. (BSC Report at 1)

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2 Available at http://www.goldmansachs.com/s/bsc-2013/index.html

- **Both emphasize Board leadership.** The Proposal notes that "deep reform requires leadership from the Board itself." The Board specifically established a four-member independent Board committee to oversee the BSC process and to provide additional focus and guidance to the BSC (BSC Report at 1). The Board committee overseeing the BSC met 13 times and the BSC's implementation oversight group made five presentations to the full Board.

  Further, in December 2012, the roles and responsibilities of the Board's Corporate Governance, Nominating and Public Responsibilities Committee (the "Governance Committee") were expanded to explicitly include oversight of the new practices emanating from the recommendations of the BSC, as well as client service issues generally. The Governance Committee delegated to its Public Responsibilities Subcommittee specific oversight of these ongoing business standards matters as well as the oversight of our firmwide Client and Business Standards Committee (members of which include senior management of the firm). The Public Responsibilities Subcommittee has already met three times regarding the oversight of our business standards and implementation of BSC recommendations.

The BSC Report and the three-year initiative to implement its 39 recommendations was a serious undertaking by the Company that represented "the most extensive review of the firm's business standards and practices in the firm's 144 year history." BSC Impact Report at 3. As discussed above, one of the six areas addressed in the BSC Report was committee governance. Through committee governance, the BSC reviewed "the governance, standards and practices of our firmwide operating committees to ensure their focus on client service, business standards and practices and reputational risk management. In particular, we found ways to strengthen accountability, compliance and internal control standards." BSC Report at 3. The review of committee governance covers the Proposal's directive to strengthen the company's standards for officers' conduct and company oversight.

Based on the foregoing, we respectfully request that the Staff concur that the Company may exclude the Proposal from the 2014 Proxy Materials as substantially implemented pursuant to Rule 14a-8(i)(10).

2. The Proposal has been substantially implemented because the Company's policies, practices, procedures and public disclosures relating to the fiduciary, moral and legal obligations of its directors and officers compare favorably with the guidelines of the Proposal.

The Staff has stated that a proposal is substantially implemented if the company's "policies, practices and procedures, as well as its public disclosures, compare favorably with the guidelines of the proposal." *Duke Energy Corp.* (Feb. 21, 2012) (concurring that a proposal requesting the formation of a board committee to review and report on actions the company could take to reduce greenhouse gas emissions was substantially implemented because the company's policies, practices and procedures, as disclosed in its Form 10-K and annual sustainability report, compared favorably with the guidelines of the proposal). *See also The Goldman Sachs Group, Inc.* (Mar. 15, 2012) (concurring that a proposal requesting the formation of a board committee to review and report how the company is responding to risks, including reputational risks, associated with high levels of senior executive compensation was substantially implemented because the "public disclosures" in the company's proxy statement "compare[d] favorably with the guidelines of the proposal"); *Entergy Corp.* (Feb. 14, 2012) (concurring that a proposal requesting the appointment of a board committee to review and report on the company's nuclear safety policies was substantially implemented because the "public disclosures" in the company's safety policy and annual sustainability report "compare[d] favorably with the guidelines of the proposal").

In addition to the BSC, the BSC Report and the BSC Impact Report discussed in Section II.A.1 above, the Company has publicly disclosed policies and procedures that compare favorably with the Proposal. In particular, the Company's business principles[3] (the "Business Principles"), attached hereto as Exhibit D, define the "fundamental expectations for the way [the Company] should . . . manage [its] business," (BSC Report at 2) and are also set forth in the introduction of the BSC Report. Additionally, the Company's Code of Business Conduct and Ethics[4] (the "Code of Conduct") outlines the firm's policies related to business conduct, its Corporate Governance Guidelines[5] (the "Governance Guidelines") address expectations as to how the Board, individual directors and management should perform their functions, and the Governance Committee Charter[6] outlines the purpose, structure, and duties and responsibilities of the Governance Committee. These documents are attached as Exhibits E, F and G, respectively.

- The Business Principles, which were codified by the Company over 30 years ago, focus on core "values of integrity, fair dealing, transparency, professional excellence, confidentiality, clarity and respect . . . and express how [the Company] intend[s] to conduct [itself] . . . ." BSC Report at 2. Included in these 14 enumerated principles is the Company's belief that: "Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives."

- The Code of Conduct, which is annually reviewed by the Board, explains that "[w]hile ethical behavior requires us to comply fully with all laws and regulations, 'compliance' with the law is the minimum standard to which we hold

3 Available at http://www.goldmansachs.com/who-we-are/business-standards/business-principles/index.html

4 Available at http://www.goldmansachs.com/investor-relations/corporate-governance/corporate-governance-documents/revise-code-of-conduct.pdf

5 Available at http://www.goldmansachs.com/investor-relations/corporate-governance/corporate-governance-documents/corp-gov-guidelines-3-2013.pdf

6 Available at http://www.goldmansachs.com/investor-relations/corporate-governance/corporate-governance-documents/corporate-governance-charter-5-10-13.pdf

ourselves." The Code of Conduct "embodies the firm's commitment to conduct our business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. The Code [of Conduct] applies to all of our people, including members of our Board of Directors." Notably, the Code of Conduct does not just emphasize the importance of complying with laws and regulations, but also illustrates the Company's commitment to "the highest ethical standards", which mirrors the Proposal's emphasis on not just fiduciary and legal obligations, but also "moral" ones. The Code of Conduct also encompasses all employees and not just the directors and officers addressed in the proposal. As described in the introductory letter to the Code of Conduct, the Company revisited the Code "to ensure it reflects the highest legal and ethical standards in our industry" as part of the BSC review.

- The Governance Guidelines are designed to promote the effective functioning of the Board and its committees, to promote the interests of shareholders and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Governance Guidelines include, among other things, the expectations for directors of the Company. "In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company takes precedence over any interest possessed by a director." The duty of loyalty, explicitly mentioned in the Proposal, is already addressed by the Company in its publicly disclosed Governance Guidelines. The Governance Guidelines also provide that the Board "shall conduct an annual self-evaluation" and that "[e]ach Committee shall conduct an annual self-evaluation as provided for in its respective charter." An annual self-evaluation provides the Board with an opportunity to reflect on its operations, including its committee charters, among other items. The Governance Guidelines are reviewed at least annually, and were last updated in March 2013.

- The Governance Committee Charter provides, among other things, that the Governance Committee will "provide guidance on the Company's strategy for managing . . . its reputation", review the Code of Conduct at least once a year and oversee implementation of the recommendations of the BSC Report. The Governance Committee, through these roles and responsibilities, is already tasked with items highlighted in the Proposal, including evaluating the obligations of directors and officers to the Company's stakeholders and strengthening the Company's standards for directors' and officers' conduct and Company oversight. The Governance Committee Charter is reviewed at least annually, and was last updated in April 2013.

The Proposal has been substantially implemented because the Company's above-referenced policies, practices, procedures and public disclosures compare favorably with the guidelines of the Proposal. Based on the foregoing, we respectfully request that the Staff concur that the Company may exclude the Proposal from the 2014 Proxy Materials as substantially implemented pursuant to Rule 14a-8(i)(10).

B. The Proposal may be excluded pursuant to Rule 14a-8(i)(7) because it relates to ordinary business operations and does not raise a significant social policy issue.

The Proposal is properly excludable from the 2014 Proxy Materials pursuant to Rule 14a-8(i)(7) because the underlying subject matter of the Proposal is within the ordinary course operations of the Company. The Proposal relates to legal and ethical compliance, a management function, encompasses all of the Company's "officers" and is not limited to senior executive officers, and seeks to micromanage the Company's operations through specific and detailed instructions.

Rule 14a-8(i)(7) permits the exclusion of a shareholder proposal that deals with a "matter relating to the company's ordinary business operations." According to the Commission's Release accompanying the 1998 amendments to Rule 14a-8, the underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." Release No. 34-40018, *Amendments to Rules on Shareholder Proposals,* [1998 Transfer Binder] *Fed. Sec. L. Rep. (CCH)* ¶ 86,018, at 80,539 (May 21, 1998) (the "1998 Release"). In the 1998 Release, the Commission outlines two central considerations for determining whether the ordinary business exclusion applies: (1) was the task "so fundamental to management's ability to run a company on a day-to-day basis" that it could not be subject to direct shareholder oversight; and (2) "the degree to which the proposal seeks to 'micromanage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.* at 80,539-40.

In applying Rule 14a-8(i)(7) to proposals requesting that companies prepare reports on specific aspects of their business, the Staff has determined to consider "whether the subject matter of the special report . . . involves a matter of ordinary business; where it does, the proposal will be excludable." Release No. 34-20091, *Amendments to Rule 14a-8 Under the Securities Exchange Act of 1934 Relating to Proposals by Security Holders,* [1983-84 Transfer Binder] *Fed. Sec. L. Rep. (CCH)* ¶ 83,417, at 86,205 (Aug. 16, 1983). The Proposal requests the preparation of a special report, and accordingly the subject matter of the report should be considered.

1. The Proposal relates to the Company's legal and ethical compliance program, which is part of the Company's ordinary business operations.

The proposal is excludable because it relates to a task that is fundamental to the Company's ability to run itself on a day-to-day basis. Specifically, the Proposal relates to the Company's legal and ethical compliance program, which the Staff has repeatedly recognized as a matter of ordinary business for purposes of Rule 14a-8(i)(7). The Staff has stated that "[p]roposals that concern a company's legal compliance program are generally excludable under rule 14a-8(i)(7)." *Raytheon Co.* (Mar. 25, 2013). *See also Monsanto Co.* (Nov. 3, 2005) (concurring that a proposal was excludable that called for the board to create an ethics oversight committee); *The AES Corp.* (Jan. 9, 2007) (concurring that a proposal was excludable that sought creation of a board oversight committee to monitor compliance with applicable laws, rules and regulations); *Halliburton Co.* (Mar. 10, 2006) (concurring that a proposal was excludable that requested the preparation of a report on the policies and procedures adopted to reduce or eliminate the reoccurrence of certain violations and investigations potentially damaging to the company's reputation and stock value).

In this case, the Proposal asks for a policy review related to, among other things, fiduciary and legal obligations to shareholders. Such a review is squarely within the management function of the Company as part of a legal compliance program. The Proposal goes on to specify that the requested review "at a minimum" include the duties of "loyalty", "care", and "candor". These are three fiduciary duties discussed, addressed and applied under Delaware corporate law. *See, e.g., In re Walt Disney Co. Derivative Litig.*, 906 A.2d 27 (Del. 2006) (discussing the duty of care); *Stone* v. *Ritter,* 911 A.2d 362 (Del. 2006) (discussing the duty of loyalty); *Malone* v. *Brincat,* 722 A.2d 5 (Del. 1998) (discussing the duty of candor). The Company, as a Delaware corporation, is subject to Delaware corporate law, and the duties of "loyalty", "care", and "candor" apply to the Company's directors and to certain officers. The Proponent's emphasis of these three duties demonstrates that the Proposal relates to a legal compliance program that is within the ordinary business operations of the Company.

Similarly, the references in the Proposal to ethics, conflicts of interest and client trust and confidence, place the subject matter of the Proposal squarely within the confines of ordinary business operations relating to ethical business practices and policies. The Staff has long expressed the view that "[p]roposals that concern general adherence to ethical business practices and policies are generally excludable under Rule 14a-8(i)(7)." *The Walt Disney Co.* (Dec. 12, 2011). *See also Verizon Communications Inc.* (Jan. 10, 2011) (same); *International Business Machines Corp.* (Jan. 7, 2010) (same). As required by the listing rules of the New York Stock Exchange, the Company has adopted the Code of Conduct covering specified areas relating to ethics, including conflicts of interest, corporate opportunities, fair dealing and legal compliance. *See* NYSE Listed Company Manual, Paragraph 303A.10. As discussed in Section II.A.2 above, the Code of Conduct, which is fully integrated into the Company's ordinary business operations, covers these items and includes a compliance program to support and enforce the Code of Conduct. The manner in which the Company implements the Code of Conduct, and more generally the manner in which it enforces legal and ethical requirements applicable to directors and employees, are a central part of its day-to-day operations.

Consequently, because the Proposal relates to the Company's legal and ethical compliance programs, which are fundamental aspects of the ordinary business operations of the Company, the Proposal may be excluded under Rule 14a-8(i)(7).

2. The Proposal seeks to micromanage the Company's operations by requiring a report applicable to a broad group of employees on a short time-frame.

The Proposal also is excludable because it seeks to "micromanage" the Company. The 1998 Release provides that when a shareholder proposal "involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies" it may be excludable as micromanagement under the ordinary business operations exclusion in Rule 14a-

8(i)(7). The Staff has indicated that a shareholder proposal that sets a specific date for the delivery of a report involves the micromanaging of a company's operations and is excludable. In *The Chubb Corp.* (Feb. 26, 2007), the Staff concurred that a proposal requesting that the board provide a report related to climate change within six months of the upcoming annual meeting was excludable as ordinary course business operations. The Proposal attempts to micromanage the Company's operations by requesting a detailed and wide-ranging review of the manner in which the Company oversees a large group of employees on a short time-frame. The Proposal specifically requests "report[s] on findings ... no later than six months following the 2014 annual shareholder meeting." This specific time-frame is exactly the intricate detail deemed excludable by the 1998 Release.

The Proposal is also excludable as ordinary course of business since it applies to all of the Company's "officers." The Staff has long drawn a distinction between matters related to only senior executive officers and directors and general employees of a company. In *Staff Legal Bulletin No. 14A* (July 12, 2002) the Staff created a bright-line analysis between proposals that focus on equity compensation plans related to only senior executive officers and directors and those applying to a broader group of employees. *See, e.g., Ford Motor Co.* (Feb. 13, 2013) (proposal deemed excludable that related to compensation of employees generally); *Wells Fargo & Co.* (Mar. 14, 2011) (proposal deemed excludable that related to compensation of 100 highest-paid employees); *3M Co.* (Mar. 6, 2008) (proposal deemed excludable that related to compensation of "high-level" 3M employees); *Alliant Energy Corp.* (Feb. 4, 2004) (proposal deemed excludable that related to compensation of "all levels of vice president" and "all levels of top management"). The Proposal expressly seeks to address obligations of employees other than directors and senior executive officers. The Proposal extends to the fiduciary, moral and legal obligations of all "officers", which is not defined but seems to encompass more than just the senior executive officers of the Company. Interestingly, the Proponent has previously limited the application of shareholder proposals it has submitted to the Company to "Named Executive Officers" and "senior executives" but in the Proposal, the Proponent has chosen to apply the Proposal's policy review to "officers" of the Company more generally. *See The Goldman Sachs Group, Inc.,* Proxy Statement (DEF 14A), at 51 (Apr. 13, 2012); *The Goldman Sachs Group, Inc.,* Proxy Statement (DEF 14A), at 47 (Apr. 1, 2011). In the context of the fiduciary, moral and legal obligations of employees to stockholders and other stakeholders, a shareholder proposal that encompasses "officers" generally and not a limited universe of senior executive officers falls clearly within the ordinary business operations of the Company.

Accordingly, because the Proposal seeks a detailed review of the Company's oversight of a large group of non-senior employees on a short time-frame, it is excludable under Rule 14a-8(i)(7) as micromanaging a matter related to the ordinary business operations of the Company.

3. The Proposal does not raise a significant social policy issue.

In the 1998 Release, the Commission stated that proposals "focusing on sufficiently significant social policy issues" would not be excludable, because such proposals "transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote." 1998 Release at 80,540 (footnote omitted). If actions that would normally be within the ordinary business operations of a company fall within this exception than they are not excludable pursuant to Rule 14a-8(i)(7).

This Proposal does not relate to significant social policy issues, and instead relates only to Company-specific concerns. In the introductory material before the text of the actual proposed resolution, the Proponent addresses concerns specific to the Company that, as discussed above, have already been addressed by the Company. This introductory language focuses on and cites secondary sources referencing allegations concerning the Company. These allegations are not "social policy" issues as contemplated by the 1998 Release. Nothing in the Proposal addresses any broadly applicable social policy.

Based on the foregoing, we respectfully request that the Staff concur that the Company may exclude the Proposal from the 2014 Proxy Materials as it relates to matters of the Company's ordinary business operations pursuant to Rule 14a-8(i)(7).

* * *

Should you have any questions or if you would like any additional information regarding the foregoing, please do not hesitate to contact me (212-357-1584; Beverly.OToole@gs.com). Thank you for your attention to this matter.

Very truly yours,

Beverly O'Toole

Beverly L. O'Toole

Attachment

cc: John C. Harrington

<u>EXHIBIT A</u> -

HARRINGTON
INVESTMENTS, INC.

November 25, 2013

John F.W. Rogers
Secretary to the Board of Directors
The Goldman Sachs Group, Inc.
200 West Street
New York, NY 10282

RE: Shareholder Proposal

Dear Corporate Secretary,

As a beneficial owner of Goldman Sachs company stock, I am submitting the enclosed shareholder resolution for inclusion in the 2014 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934 (the "Act"). I am the beneficial owner, as defined in Rule 13d-3 of the Act, of at least $2,000 in market value of Goldman Sachs common stock. I have held these securities for more than one year as of the filing date and will continue to hold at least the requisite number of shares for a resolution through the shareholder's meeting. Proof of Ownership from Charles Schwab & Company will be forthcoming. I or a representative will attend the shareholder's meeting to move the resolution as required.

Sincerely,

John C. Harrington
President
Harrington Investments, Inc.

1001 2ND STREET, SUITE 325 NAPA, CALIFORNIA 94559 707-252-6166 800-788-0154 FAX 707-257-7923
WWW.HARRINGTONINVESTMENTS.COM

Whereas, the impacts of the massive financial crisis of 2008 "are likely to be felt for a generation." The crisis was considered by many to be the result of an "erosion of standards of responsibility and ethics," and a "systemic breakdown in accountability and ethics".[1] Goldman Sachs was at the heart of that crisis[2];

Highly publicized prosecutions against Goldman Sachs, alleging knowingly and recklessly lying to and defrauding investors and clients[3] have put our company front and center of ethics debates, causing credible observers to label our firm a "symbol of Wall Street hubris"[4] and a firm "certainly not to be trusted"[5];

The appearance of top executives and board members alleged to greatly, personally profit from positions involving conflicts of interest[6], and allegations of fraud and deception costing stakeholders hundreds of millions of dollars, has undermined trust and confidence of some of our most important clients[7]; and

Although our company has attempted to rehabilitate our reputation by developing new guidelines for client relationships and retraining our employees[8], deep reform requires leadership from the Board itself.

Resolved

Shareholders request the board of directors conduct a policy review, at reasonable expense, evaluating opportunities for clarifying and enhancing implementation of directors' and officers' fiduciary, moral and legal obligations to shareholders and other stakeholders, and to report on findings, excluding proprietary or legally prejudicial information, no later than six months following the 2014 annual shareholder meeting.

Such a report may include concrete recommendations such as amending the bylaws, articles of incorporation, or committee charters to include specific language articulating or strengthening the company's standards for directors' and officers' conduct and company oversight.

Supporting Statement

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[1] Financial Crisis Inquiry Commission Report (FCICR), pp xvi and xxii.

[2] See the FCICR in which Goldman Sachs is mentioned 136 times and implicated in almost every chapter.

[3] http://www.sec.gov/litigation/complaints/2010/comp21489.pdf p. 20-22

[4] http://business.time.com/2013/08/01/not-so-fabulous-fab-ex-goldman-sachs-trader-found-liable-for-fraud/

[5] http://www.economist.com/news/finance-and-economics/21583286-verdict-against-former-trader-exposes-goldman-sachs-collective-guilt

[6] See GAO-12-18 report on conflicts of interest including Goldman Sachs board members http://www.gao.gov/assets/590/585807.pdf

[7] "Reform School for Bankers." The Economist, October 5, 2013.

[8] Ibid.

Fiduciary standards, codified in early law, secularized theological traditions applied to commercial pursuits and obligate directors to an ethical relationship with shareholders based upon trust and confidence. Proponents of this resolution ask other shareholders to hold our corporate leaders accountable to the highest possible standard of conduct.

The review should at a minimum encompass the duties of:

- Loyalty, including clarifying the relationship between loyalty to the company and to society;
- Care, including clarifying any duty of directors or officers to take action when having sufficient notice of potential catastrophic impacts of corporate activities on society;
- Candor, including clarifying the extent to which directors and officers are required to provide balanced, truthful accounts of matters disclosed in communications with stockholders and other stakeholders.

The Board is encouraged to utilize independent experts on corporate governance and accountability in preparing the policy review.

Page 17 redacted for the following reason:
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*** FISMA & OMB Memorandum M-07-16 ***

HARRINGTON
INVESTMENTS, INC.

John Rogers
NOV 29 2013
Received

November 27, 2013

John F.W. Rogers
Secretary to the Board of Directors
The Goldman Sachs Group, Inc.
200 West Street
New York, NY 10282

RE: Shareholder Proposal

Dear Corporate Secretary,

Please find the Proof of Ownership letter from Charles Schwab and Co. and the corresponding shareholder resolution. I will remain invested in this position through the date of the company's 2014 annual meeting.

If you have any questions or would like to discuss the substance of the proposal, please do not hesitate to contact me at (707) 252-6166.

Sincerely,

John C. Harrington
President
Harrington Investments, Inc.

1001 2ND STREET, SUITE 325 NAPA, CALIFORNIA 94559 707-252-6166 800-788-0154 FAX 707-257-7923
WWW.HARRINGTONINVESTMENTS.COM

Whereas, the impacts of the massive financial crisis of 2008 "are likely to be felt for a generation." The crisis was considered by many to be the result of an "erosion of standards of responsibility and ethics," and a "systemic breakdown in accountability and ethics".[1] Goldman Sachs was at the heart of that crisis[2];

Highly publicized prosecutions against Goldman Sachs, alleging knowingly and recklessly lying to and defrauding investors and clients[3] have put our company front and center of ethics debates, causing credible observers to label our firm a "symbol of Wall Street hubris"[4] and a firm "certainly not to be trusted"[5];

The appearance of top executives and board members alleged to greatly, personally profit from positions involving conflicts of interest[6], and allegations of fraud and deception costing stakeholders hundreds of millions of dollars, has undermined trust and confidence of some of our most important clients[7]; and

Although our company has attempted to rehabilitate our reputation by developing new guidelines for client relationships and retraining our employees[8], deep reform requires leadership from the Board itself.

Resolved

Shareholders request the board of directors conduct a policy review, at reasonable expense, evaluating opportunities for clarifying and enhancing implementation of directors' and officers' fiduciary, moral and legal obligations to shareholders and other stakeholders, and to report on findings, excluding proprietary or legally prejudicial information, no later than six months following the 2014 annual shareholder meeting.

Such a report may include concrete recommendations such as amending the bylaws, articles of incorporation, or committee charters to include specific language articulating or strengthening the company's standards for directors' and officers' conduct and company oversight.

Supporting Statement

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[1] Financial Crisis Inquiry Commission Report (FCICR), pp xvi and xxii.

[2] See the FCICR in which Goldman Sachs is mentioned 136 times and implicated in almost every chapter.

[3] http://www.sec.gov/litigation/complaints/2010/comp21489.pdf p. 20-22

[4] http://business.time.com/2013/08/01/not-so-fabulous-fab-ex-goldman-sachs-trader-found-liable-for-fraud/

[5] http://www.economist.com/news/finance-and-economics/21583286-verdict-against-former-trader-exposes-goldman-sachs-collective-guilt

[6] See GAO-12-18 report on conflicts of interest including Goldman Sachs board members http://www.gao.gov/assets/590/585807.pdf

[7] "Reform School for Bankers." The Economist, October 5, 2013.

[8] Ibid.

Fiduciary standards, codified in early law, secularized theological traditions applied to commercial pursuits and obligate directors to an ethical relationship with shareholders based upon trust and confidence. Proponents of this resolution ask other shareholders to hold our corporate leaders accountable to the highest possible standard of conduct.

The review should at a minimum encompass the duties of:

- Loyalty, including clarifying the relationship between loyalty to the company and to society;
- Care, including clarifying any duty of directors or officers to take action when having sufficient notice of potential catastrophic impacts of corporate activities on society;
- Candor, including clarifying the extent to which directors and officers are required to provide balanced, truthful accounts of matters disclosed in communications with stockholders and other stakeholders.

The Board is encouraged to utilize independent experts on corporate governance and accountability in preparing the policy review.

charles SCHWAB
ADVISOR SERVICES

PO Box 52013, Phoenix, AZ 85072-2013

November 27, 2013

John F.W. Rogers
Secretary to the Board of Directors
The Goldman Sachs Group, Inc
200 West Street
New York, NY 10282

RE: Account XXXX*** FISMA & OMB Memorandum M-07-16 ***
Harrington Inv Inc 401K Plan

Dear Corporate Secretary:

Please accept this letter as confirmation of ownership of 100 shares of Goldman Sachs Corporation (Symbol: GS) in the account referenced above. These shares have been held continuously since initial purchase on 08/29/2007.

Should additional information be needed, please feel free to contact me directly at (877-393-1949) between the hours of 6:30 and 3:00pm EST.

Sincerely,

Kirk Eldridge
Advisor Services
Charles Schwab & Co. Inc.

cc: Harrington Investments via fax 707-257-7923

<u>EXHIBIT B</u> -

Report of the Business Standards Committee

January 2011

www.GoldmanSachs.com/BusinessStandards

The Goldman Sachs Business Principles

Our clients' interests always come first.
Our experience shows that if we serve our clients well, our own success will follow.

Our assets are our people, capital and reputation.
If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.

Our goal is to provide superior returns to our shareholders.
Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders.

We take great pride in the professional quality of our work.
We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.

We stress creativity and imagination in everything we do.
While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

We make an unusual effort to identify and recruit the very best person for every job.
Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.

We offer our people the opportunity to move ahead more rapidly than is possible at most other places.
Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our men and women must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be.

We stress teamwork in everything we do.
While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.

The dedication of our people to the firm and the intense effort they give their jobs are greater than one finds in most other organizations. We think that this is an important part of our success.

We consider our size an asset that we try hard to preserve.
We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.

We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs.
We know that the world of finance will not stand still and that complacency can lead to extinction.

We regularly receive confidential information as part of our normal client relationships.
To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.

Our business is highly competitive, and we aggressively seek to expand our client relationships.
However, we must always be fair competitors and must never denigrate other firms.

Integrity and honesty are at the heart of our business.
We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

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ABBREVIATIONS

BPC	Firmwide Business Practices Committee
CBSC	Firmwide Client and Business Standards Committee
CRBSG	Conflicts Resolution and Business Selection Group
EMEA	Europe, Middle East and Africa
EMD	Extended Managing Director
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GIR	Global Investment Research
GSAM	Goldman Sachs Asset Management
IBD	Investment Banking Division
ICAAP	Internal Capital Adequacy Assessment Process
IPO	Initial Public Offering
IRBC	Internal Risk Based Capital
IMD	Investment Management Division
MBD	Merchant Banking Division
MD&A	Management Discussion and Analysis
MPE	Maximum Probable Exposure
PMD	Participating Managing Director (Partner)
PWM	Private Wealth Management
RTL	Restricted Trading List
SEC	U.S. Securities and Exchange Commission
SPC	Structured Products Committee
TCM	Transaction Class Matrix

EXECUTIVE SUMMARY

A. OVERVIEW

The financial crisis has had a profound impact on thousands of financial institutions and businesses, and on millions of households. Its aftermath has been a time of reflection and reform.

For Goldman Sachs, this has been a challenging period. Our industry, and our firm in particular, have been subjected to considerable scrutiny. Our senior management and Board of Directors recognized this as an opportunity to engage in a thorough self-assessment and to consider how we can and should improve.

At our Annual Meeting of Shareholders on May 7, 2010, our Chairman and Chief Executive Officer, Lloyd C. Blankfein, announced the firm's intention to create the Business Standards Committee to conduct an extensive review of our business standards and practices. The Committee's mandate was to ensure that the firm's business standards and practices are of the highest quality; that they meet or exceed the expectations of our clients, other stakeholders and regulators; and that they contribute to overall financial stability and economic opportunity. The Committee has operated with oversight by the Board of Directors, which established a four member Board Committee to provide additional focus and guidance. In addition, the firm engaged two consulting firms to provide independent advice to the Business Standards Committee.

The scope and intensity of the Committee's eight month review have been significant, encompassing every major business, region and activity of the firm. We made 39 recommendations for change spanning client service, conflicts and business selection, structured products, transparency and disclosure, committee governance, training and professional development and employee evaluation and incentives. These recommendations have been approved by the firm's senior management and Board of Directors and implementation has already begun.

The firm's culture has been the cornerstone of our performance for decades. We believe the recommendations of the Committee will strengthen the firm's culture in an increasingly complex environment. We must renew our commitment to our Business Principles – and above all, to client service and a constant focus on the reputational consequences of every action we take. In particular, our approach must be: not just “can we” undertake a given business activity, but “should we.”

We believe the recommendations contained in this report represent a fundamental re-commitment by Goldman Sachs: a re-commitment to our clients and the primacy of their interests; a re-commitment to reputational excellence associated with everything the firm does; a re-commitment to transparency of our business performance and risk management practices; a re-commitment to strong, accountable processes that reemphasize the importance of appropriate behavior and doing the right thing; and a re-commitment to making the firm a better institution.

We expect that the work and recommendations of the Committee will strengthen our culture and increase our focus on serving our clients, while recognizing our responsibilities to the financial markets, our stakeholders, regulators and the public at large.

B. THE GOLDMAN SACHS BUSINESS PRINCIPLES AND OUR COMMITMENT TO CLIENTS

The Committee began its work by evaluating the relevance of the firm’s 14 Business Principles to our business today. Our Business Principles were codified 30 years ago and define our fundamental expectations for the way we should interact with our clients, manage our business and attract, retain and motivate our employees. The Committee concluded that the firm’s Business Principles are as relevant today as ever. However, our business has evolved and become more complex in recent years, presenting challenges that require us both to strengthen certain core client service values for all interactions with clients and to describe more clearly our role-specific client responsibilities.

The core client service values of integrity, fair dealing, transparency, professional excellence, confidentiality, clarity and respect are embedded in our Business Principles and express how we intend to conduct ourselves in each and every client interaction.

In terms of our role-specific client responsibilities, across our various businesses we act in many capacities, including as an advisor, fiduciary, market maker and underwriter. Each of these capacities requires that we fulfill specific responsibilities to our clients. We must be clear to ourselves and to our clients about the capacity in which we are acting and the responsibilities we have assumed.

We believe these core client service values and role-specific client responsibilities are fundamental to all of the Committee's recommendations.

C. THE BUSINESS STANDARDS COMMITTEE WORKING GROUPS

The Business Standards Committee identified six important areas for detailed examination based on the events and developments of recent years. We established a working group for each area:

- Client Relationships and Responsibilities. We examined the responsibilities we have to our clients, their expectations of the firm, the different roles we may play to accomplish our clients' objectives and how the firm communicates with clients. We identified actions that would further strengthen our focus on clients and long-term relationships.
- Conflicts of Interest. We examined our approach to conflicts that arise in our business and how we can strengthen our procedures for resolving them. We reviewed the various ways in which our role in serving one client may intersect with our role in serving other clients or with the firm's own interests. We considered the views of our clients, our people, other stakeholders, regulators and the broader public.
- Structured Products. We examined how to improve the process for identifying structured products that should be subject to heightened review. We focused on strengthening our processes for evaluating and approving these products and their suitability for particular clients, as well as pre- and post-transaction sales practices, product origination, underwriting and disclosure standards.
- Transparency and Disclosure. We examined how to improve the firm's financial reporting and enhance disclosure of business mix, risk management, balance sheet composition and liquidity. In particular, we explored how to explain our activities more clearly, especially as they relate to our performance and our commitment to serve clients.
- Committee Governance. We reviewed the governance, standards and practices of certain of our firmwide operating committees to ensure their focus on client service, business standards and practices and reputational risk management. In particular, we found ways to strengthen accountability, compliance and internal control standards.
- Training and Professional Development. We examined how to ensure our training and professional development, including our annual performance evaluation process and incentives, enhance our culture and strengthen the values of client service as well as behavior and personal accountability.

D. SUMMARY OF RECOMMENDATIONS

The Committee made 39 recommendations to improve the firm's business standards and practices. Several key recommendations are presented below, grouped into broad priorities for improvement.

Strengthening Client Relationships. Our clients must be at the heart of the firm's decision-making, thinking and committee governance, both formally and informally. Key recommendations include:

- Establishing a new Client and Business Standards Committee to place our client franchise at the center of our decision-making processes.
- Detailing the firm's specific professional responsibilities to our clients which depend on the nature of the relationship, role and the specific activity we are asked to undertake. We act as an advisor, fiduciary, market maker and underwriter across various businesses and it is important to articulate clearly both to our people and to clients the specific responsibilities we assume in each case.
- Designing and implementing a comprehensive firmwide program to strengthen client interactions and relationships and to enhance our client franchise.
- Strengthening evaluation criteria for all employees in client-facing roles to achieve an appropriate long-term, client-focused orientation.

Strengthening Reputational Excellence. Goldman Sachs has one reputation. It can be affected by any number of decisions and activities across the firm. Every employee has an equal obligation to raise issues or concerns, no matter how small, to protect the firm's reputation. We must ensure that our focus on our reputation is as grounded, consistent and pervasive as our focus on commercial success. Key recommendations include:

- Implementing a comprehensive training and professional development program on our Business Principles, core client service values and role-specific client responsibilities.
- Strengthening our standards for the identification, review, approval and documentation of structured products and the framework for evaluating their suitability for various client segments.
- Implementing enhanced disclosure and origination standards for each business unit that is responsible for originating structured product securities.

- Moving certain underwriting and origination activities from the Securities Division to the Financing Group in the Investment Banking Division, and implementing enhanced and consistent policies and procedures on disclosure, approval processes and other controls.
- Providing plain language explanations to our clients about the firm's conflicts resolution and business selection processes, including describing activities we may continue to conduct while we are advising or financing a particular client.
- Updating and strengthening the Code of Business Conduct and Ethics and requiring employees to certify their compliance.

<u>Strengthening Committee Governance.</u> The firm's committee governance structure must encourage ownership and accountability for client service, all business activities and reputational risk management and be oriented to action and decision-making. Key recommendations include:

- Restructuring the firm's existing committee governance:
  - Establishing a new Client and Business Standards Committee to place our client franchise at the center of our decision-making processes and to reflect the important interrelationships between clients, business practices and reputational risk management.
  - Establishing corresponding divisional and regional Client and Business Standards Committees to enhance accountability for all our business activities.
  - Establishing a Firmwide New Activity Committee to consolidate and strengthen existing processes for approving new products and activities and to assess the important question of not just "can we" undertake a given business opportunity, but "should we."
  - Establishing a Firmwide Suitability Committee to oversee standard setting for client, product and transaction suitability across the firm.
- Forming an Event Review Group to perform timely, focused reviews of incidents or other matters of concern arising from the firm's day-to-day business activities or in our industry more broadly.
- Establishing and maintaining a formal policy framework for committee best practices, processes and procedures governing all aspects of committee operations, including charters, regular meeting agendas, minutes and statements of action.

Enhancing Transparency of Communication and Disclosure. We recognize the need to better explain our business activities and how these activities relate to our performance and to our mission to serve clients. Key recommendations to improve and increase our financial disclosure include:

- Reorganizing our revenue reporting from three existing segments into four to provide greater clarity and visibility on the importance of our client franchise activities and client facilitation to our revenues.
- Providing a simplified balance sheet showing assets by business unit / activity as well as the firm's excess liquidity position.
- Describing in greater detail our overall risk management structure, culture and processes.
- Providing additional disclosure related to credit risk, operational risk and capital adequacy.

Strengthening Training and Professional Development. We must provide training and professional development to strengthen our culture, reinforce our core values and implement and embed the recommendations in this report into our daily practices. Key recommendations include:

- Creating a global program, led by our Chairman and CEO, to explain the Committee's recommendations, underline the importance of client service, our business standards and reputational risk management and reinforce the key attributes of our culture to the firm's 2,200 participating and extended managing directors. The "Chairman's Forum on Clients and Business Standards" will represent a large investment of time of our senior management team over the course of 2011.
- Implementing training and professional development programs tailored for each division to clarify the different roles their professionals have with clients and the client-specific responsibilities associated with each of those roles.
- Increasing emphasis on evaluation criteria relating to reputational risk management in the firm's annual performance review and compensation and other incentive and recognition processes.
- Increasing the focus on leadership, culture and values as part of the employee annual promotion, performance review and compensation processes.

E. IMPLEMENTATION OF THE RECOMMENDATIONS

Senior management and the Board of Directors are committed to the implementation of the recommendations and expect our employees to dedicate themselves to this initiative. Senior management and the Board of Directors will receive periodic progress reports on implementation of the Committee's recommendations.

Extensive training and professional development efforts that influence behavior over time are critical to the success of the overall implementation effort. In addition, the enhancements and changes arising from the Committee's recommendations will be documented and reflected in the policies, practices and procedures that govern how we conduct our business.

The Committee recognizes that the impact of its work will be measured by the success of the implementation effort and, ultimately, how well the employees of Goldman Sachs act on the recommendations and embrace their spirit.

SECTION I: STRUCTURE OF THE REPORT

Sections II through VII of this report present the recommendations of the six working groups established by the Committee.

The recommendations of each working group follow a common format:

Part A: Introduction and Overview, the context and setting in which the recommendations were developed.

Part B: Guiding Principles, the broad objectives that the recommendations of the working group are intended to achieve.

Part C: Discussion and Recommendations, the rationale and recommendations of each working group.

Each recommendation aims to strengthen our business standards and practices and is stated in terms of one or more broad priorities for improvement:

- Strengthening client relationships
- Strengthening reputational excellence
- Strengthening committee governance
- Enhancing transparency of communication and disclosure
- Strengthening training and professional development

The two objectives that underlie a majority of the recommendations are strengthening client relationships and reputational excellence.

Section VIII describes the comprehensive and rigorous implementation plan for the recommendations. The implementation plan establishes a time line, details a framework of internal control emphasizing ownership and accountability and puts in place procedures to ensure follow up and full documentation.

SECTION II: CLIENT RELATIONSHIPS AND RESPONSIBILITIES

A. INTRODUCTION AND OVERVIEW

The cornerstone of the Business Standards Committee's recommendations is the relationship between Goldman Sachs and its clients and a deeply rooted belief that if our clients are successful, our own success will follow. With this in mind, we have sought to understand and address client concerns, clarify our responsibilities to clients and recommend ways to strengthen our client relationships.

The Committee recognizes that we need to clearly articulate standards and expectations for client service and reputational excellence in order to strengthen client relationships. We have established three core components that describe how we interact with clients:

- Guiding principles for client relationships and responsibilities that complement our Business Principles and respond to current financial market realities.
- Client service values that apply to all client relationships. These values are embedded in the firm's Business Principles.
- Role-Specific Client Responsibilities that articulate the basic responsibilities we must fulfill when acting in different capacities for our clients.

Taken together, these components constitute the foundation of our commitment to client service and reputational excellence.

Client Survey: Background and Methodology

To better understand how our clients view Goldman Sachs, we retained an independent consultant to conduct non-attributable, in-depth, in-person discussions with senior management of more than 200 of our clients worldwide. Our consultant reported our clients' views in such a way that no Goldman Sachs employee knows what any individual client said during the interviews.

We selected the sample of clients from our three main businesses – Investment Banking, Investment Management and Securities – and all of our geographic regions. Our sample comprised, in roughly equal proportion, relationships we would characterize as strong, moderate, and weak.

The client interviews were conducted over a four month period without the presence or participation of Goldman Sachs employees so that clients would be more likely to offer critical feedback, concerns and perceptions.

The consultant used a structured but open-ended interview format that not only allowed clients to provide their views on the specific topics posed, but also invited them to share any other thoughts on Goldman Sachs. Specific topics covered included:

- How well Goldman Sachs serves the interests of its clients and how well we communicate our role when serving our clients;
- The client's view of its coverage team and its view of Goldman Sachs as an institution;
- Goldman Sachs' risk management capabilities;
- Goldman Sachs' business model;
- Goldman Sachs' approach to legal and regulatory compliance;
- Goldman Sachs' effectiveness at communicating its Business Principles;
- Goldman Sachs' research capabilities;
- Goldman Sachs' corporate citizenship activities;
- Other issues that Goldman Sachs senior management should be aware of or should consider; and
- Goldman Sachs' overall strengths and weaknesses, as compared to its competitors.

The consultant presented its findings and analysis to the Business Standards Committee, senior management, the Board Committee and the Board of Directors. We used these meetings to ask clarifying questions, identify and analyze the key themes and issues that emerged from the client interviews and to discuss and develop recommendations. In addition, the senior leadership of each division reviewed feedback relating specifically to their businesses.

Client Survey Summary

The client survey found that our clients view Goldman Sachs as a firm with highly talented people, strong execution and risk management capabilities and a well-respected brand. Clients recognized that Goldman Sachs' culture of teamwork enables the firm to work seamlessly across products and regions to execute difficult or multi-faceted transactions on their behalf. Clients also said they have a high level of confidence in the individuals at Goldman Sachs who serve them directly and whom they know well.

More importantly, the client survey included critical feedback. Clients raised concerns about whether the firm has remained true to its traditional values and Business Principles given changes to the firm's size, business mix and perceptions about the role of proprietary trading. Clients said that, in some circumstances, the firm weighs its interests and short-term incentives too heavily. These concerns pointed to the need to strengthen client relationships which, in turn, will strengthen trust. Clients recommended that we communicate our core values more clearly, both through individual interactions and through corporate communications. Clients also said they would like us to communicate more clearly about our roles and responsibilities in particular transactions.

B. GUIDING PRINCIPLES

These principles guided the Committee in making our recommendations:

- Client-Focused Approach. The firm will strengthen its focus on clients and client objectives. We must make decisions over time that result in our clients recognizing our commitment to serving their needs.

- Long-Term Orientation. The firm will recommit to the importance and value of building and sustaining a long-term client franchise. Goldman Sachs must place even greater emphasis in our incentive systems to support building long-term client relationships.

- Earn Clients' Respect and Trust. To earn the respect and trust of clients, we must attract, develop and retain employees who demonstrate character, act with the highest integrity and consistently provide clients with accurate, timely and clear communications.

C. DISCUSSION AND RECOMMENDATIONS

The Committee is making the following recommendations to strengthen client relationships and responsibilities:

1. The Business Standards Committee recommends that the firm reemphasize the client service values listed below. These values are embedded in our Business Principles and

express how we intend to conduct ourselves in each and every client interaction. This recommendation reflects our objective of strengthening client relationships.

- **Integrity**: Adhering to the highest ethical standards.
- **Fair Dealing**: Pursuing a long-term and balanced approach that builds clients' trust.
- **Confidentiality**: Protecting confidential information.
- **Clarity**: Providing clear, open and direct communication.
- **Transparency**: Informing our clients so that our role in any transaction is understood by them.
- **Respect**: Being respectful of our clients, other stakeholders and broader constituencies.
- **Professional Excellence**: Consistently providing high quality service, responsiveness, thoughtful advice and outstanding execution.

2. The Business Standards Committee recommends that the firm implement the framework for Role-Specific Client Responsibilities to communicate with clients about our different roles and responsibilities and as a benchmark for training and professional development for employees. Above all, we must be clear to ourselves and to our clients about the capacity in which we are acting and the responsibilities we have assumed. This recommendation reflects our objective to strengthen client relationships.

In broad terms, our clients ask the firm to act in the capacity of advisor, fiduciary, market maker and underwriter, and may require us to act in multiple capacities in our overall relationship. We have developed a "Role-Specific Client Responsibilities" matrix, provided on the following page, to briefly describe these roles and our responsibilities to clients. The matrix is illustrative and does not capture every possible client interaction, since our client service responsibilities will differ depending on the nature of the transaction, the role we are asked to play in any given situation and the applicable law of the relevant jurisdiction. We must be clear to ourselves and to our clients about the capacity in which we are acting and the responsibilities we have assumed.

Goldman Sachs Role-Specific Client Responsibilities

Relationship With Client: Advisor		
Role	**Activities**	**Basic Responsibilities**
Banking Advisor	• Act as an advisor as agreed with client in engagement letter • Act as an advisor on an informal, client service basis with no engagement letter in place	• Provide our best advice • Disclose conflicts • Assist client in reviewing alternatives on their merits • In some jurisdictions, fiduciary duties apply

Relationship With Client: Fiduciary		
Role	**Activities**	**Basic Responsibilities**
Asset and Private Wealth Manager	• Advise on asset allocation, portfolio construction and manager or securities selection • May invest on a discretionary basis	• Provide our best advice • Disclose conflicts • May assist in reviewing investment alternatives on their merits • Fiduciary duties apply, although not in all jurisdictions

Relationship With Client: Market Participant		
Role	**Activities**	**Basic Responsibilities**
Market Maker / Counterparty (Principal)	• Make markets by committing capital • Provide investing ideas • Make our inventory available or add to our inventory	• Communicate clearly our role as principal • Stand ready to buy and sell regardless of whether the other side of the transaction is available • Set pricing to reflect market conditions • Fulfill applicable suitability and other pre-and post-transaction responsibilities
Broker	• Execute transactions for the account of clients • Provide investing ideas • Provide advice incidental to acting as broker	• Provide best execution • Arrange adequate protection of client assets for which we are responsible • Fulfill applicable suitability and other pre-and post-transaction responsibilities

Relationship With Client: Underwriter / Structurer		
Role	**Activities**	**Basic Responsibilities**
Underwriter / Product Structuring	• Structure and execute underwritings, distributions or loan syndications • May make or buy loans, or buy securities or other instruments, and issue / sell securities that are based upon those assets • Prepare disclosure and conduct marketing • Set pricing to reflect relevant issuer- and market-related factors, including investor demand, when making a broad distribution	• Conduct appropriate and thorough due diligence on issuer and / or structure, as applicable • Disclose conflicts • Endeavor to ensure there is no material misstatement / omission in disclosure • Fulfill applicable suitability obligations • In underwritings in which the issuer or selling shareholder participates in selling efforts, make allocations explicitly taking into account their interests and expressed preferences • Generally make secondary trading market

While most of the roles, activities and responsibilities highlighted in this matrix are straight forward, the terms “market maker” and “underwriter” require some explanation.

Market making refers to our secondary sales and trading activities. We can act as an agent for buyers and sellers by executing their orders in the market or act as a principal by supplying liquidity directly to our clients. We do this regardless of market conditions and our view of the market. Our liquidity obligations in certain markets can also be explicit and obligatory – when, for example, we act as a Primary Dealer in government securities markets or as a New York Stock Exchange Designated Market Maker.

Our market making responsibilities can also be implicit. In the credit and mortgage markets, for example, our clients expect us to be willing to sell positions to them as a principal or to be willing to buy positions from them. Market making involves risk, and as a result, market makers engage in risk management activities such as hedging and managing inventory in both cash and derivative instruments.

Market makers provide liquidity and play a critical role in price discovery. They contribute to the overall efficiency of the capital markets, facilitating capital raising for corporations and governments and allowing money managers to better manage their portfolios and generate returns.

The role of an underwriter differs from that of a market maker. An underwriter of financial instruments works with the issuer in connection with offering financial instruments to investors. In this context, securities laws effectively impose a gatekeeper role on Goldman Sachs: as an underwriter, the firm is expected to assist the issuer in providing an offering document to investors that discloses all material information relevant to the offering. The purchaser of securities then evaluates whether they are worthy of investment based on his or her own view and analysis of the security in light of expectations about the future prospects of a company, financial instrument or market.

3. The Business Standards Committee recommends that the firm increase its emphasis on client service and client relationships in our annual performance review and other incentive processes. Among other things, the performance review system will seek to assess how well our people represent the Goldman Sachs client franchise and how well they build long-term client relationships. This recommendation reflects our objective of strengthening client relationships.

4. The Business Standards Committee recommends that the new Client and Business Standards Committee design and implement a comprehensive firmwide program to strengthen client interactions and relationships to enhance our client franchise. This recommendation reflects our objectives of strengthening client relationships and committee governance.

5. The Business Standards Committee recommends that the firm implement a comprehensive training and professional development program on the firm's Business Principles, client service values and the Role-Specific Client Responsibilities. Each division will tailor its program to emphasize its different roles and responsibilities to clients. This recommendation reflects our objectives of strengthening client relationships, reputational excellence and training and professional development.

6. The Business Standards Committee recommends that the leaders of each division play a critical role in the design and execution of a multi-faceted communication program to introduce the Committee's recommendations to clients. This recommendation reflects our objectives of strengthening client relationships and enhancing transparency of communication and disclosure.

SECTION III: CONFLICTS OF INTEREST

A. INTRODUCTION AND OVERVIEW

Conflicts of interest and the firm's approach to dealing with them are fundamental to our client relationships, our reputation and our long-term success. We must earn the trust of our clients by consistently fulfilling the responsibilities we undertake when we assume a role on their behalf. We also recognize the concerns of clients, other stakeholders, legislators, regulators, market participants and the general public over the potential for conflicts of interest in the financial services industry and at Goldman Sachs.

The Committee undertook a broad examination of the firm's infrastructure, policies and procedures in the area of conflicts resolution. Following this, we developed guiding principles and recommendations that will enhance our conflicts resolution and business selection practices. In the long term we believe that any constraints these enhancements may impose on the firm will be outweighed by the benefits derived from building client trust and strengthening the firm's reputation.

Goldman Sachs is a full-service, global investment bank. Many of our clients interact with the firm in several of our businesses. For example, working with entirely separate areas of the firm, a corporate client may issue securities through us in connection with an acquisition in which we acted as their financial advisor. That same client may engage in a commodity-related hedging program related or entirely unrelated to the acquisition, and, through its pension fund, may be an asset management client.

We are most effective in serving our clients when we are able to meet the full range of their financing, risk management, liquidity and advisory needs. Acting in these roles for multiple clients simultaneously, however, we necessarily encounter potential conflicts and business selection issues. It is critical for our business to have a comprehensive conflict management and business selection process that is overseen by senior, experienced people and embedded in core decision-making processes of the firm.

The term "conflict of interest" does not have a universally accepted meaning, and conflicts can arise in many forms within a business or between businesses. The responsibility for identifying potential conflicts, as well as complying with the firm's policies and procedures, is shared by the entire firm. The firm has invested considerable time and resources over many years in its conflicts resolution infrastructure, policies and procedures.

We have a multilayered approach to resolving conflicts and addressing reputational risk. The firm's senior management and divisional leadership oversee policies related to conflicts resolution. The firm's divisional leadership, a Conflicts Resolution and Business Selection Group (CRBSG), the Legal and Compliance Departments, the Firmwide Business Practices Committee (BPC) and other internal committees all play roles in the formulation of policies, standards and principles and assist in making judgments regarding the appropriate resolution of particular conflicts. Resolving potential conflicts necessarily depends on the facts and circumstances of a particular situation and the application of experienced and informed judgment.

The firm's Legal, Compliance and Internal Audit Departments help the firm's businesses operate in accordance with applicable laws and regulations and the firm's policies and procedures. The Compliance Department monitors the mechanisms – such as information barriers between business units – that are designed to ensure appropriate use and protection of confidential information, including having physical and other information barriers between business units.

At the transaction level, various people and groups have roles. As a general matter, prior to businesses accepting mandates, or making new loans or investments, the CRBSG reviews the potential transaction. It reviews all financing and advisory assignments in the Investment Banking Division (IBD) and lending, investing and other activities by the Merchant Banking Division (MBD), the Securities Division and segments of the Investment Management Division (IMD). Various transaction oversight committees, such as the Capital, Commitments, Investment, Suitability and Structured Products Committees, also review new underwritings, loans, investments and structured products. These committees work with internal and external lawyers and the Compliance Department to evaluate and address any actual or potential conflicts.

B. GUIDING PRINCIPLES

The Committee observed the following principles in making its recommendations relating to conflicts:

- Ability to Perform. Prior to accepting a role with a client, we will exercise care to ensure that we are able to fulfill our responsibilities to that client. Having assumed a role, we will not undertake activities or accept a new mandate that would prevent us from fulfilling those responsibilities.

- Long-Term Focus. In resolving potential conflicts and making business selection decisions, we will pursue a long-term and balanced approach that builds clients' trust.
- Clarity Regarding Our Responsibilities. Our clients ask the firm to provide various services. We will be clear with our clients about the specific responsibilities we are assuming. We will also be clear about what other activities we may continue to perform while we are advising or financing a particular client.

C. DISCUSSION AND RECOMMENDATIONS

We took the following steps to identify areas of focus:

- Reviewing the various ways in which a role we play with one client may intersect with the role we might play on behalf of another client or with the firm's own interests;
- Conducting an extensive survey of business and functional leaders within the firm;
- Reviewing the results of the client survey;
- Analyzing relevant judicial decisions and legislative material; and
- Considering forthcoming changes to the regulatory framework for our industry.

As a result of this process, we identified the following areas for in-depth review and enhancement:

- Information barriers;
- Origination and underwriting activities across the firm;
- Written communications about securities while the firm is contemporaneously underwriting or advising the issuer of the securities;
- Transactions where the firm may have multiple roles;
- Fund and firm balance sheet investment and lending activities;
- Documentation and conflicts policies, processes and principles; and
- Client communications.

C-1. Information Barriers

In accordance with industry practices, Goldman Sachs maintains information barriers (Information Barriers or Walls) to prevent the unauthorized disclosure of confidential information by "private side" personnel (predominantly in IBD) to "public side" personnel in the Securities Division and IMD.[1] The Compliance Department maintains the policies and procedures governing Information Barriers and monitors the communication of confidential information within the firm. It also conducts surveillance of trading activities during periods in which the firm possesses material non-public information and trains employees on Information Barrier policies and procedures. Consistent with applicable law, Information Barriers enable the firm to continue to conduct sales and trading activities on the public side of the firm while the private side has material, non-public information.

The Compliance Department may permit private side employees to communicate material, non-public information to public side employees, pursuant to established record-keeping and surveillance procedures to help facilitate investment banking transactions that require market judgment. In our equity capital markets business, for example, a client who owns a substantial block of stock may ask us to buy the stock, which we would then resell to other clients. In these circumstances, we would typically seek the judgment of a small number of professionals from the Securities Division regarding the potential market appetite for the stock in order to price it properly. Once wall crossed, these employees cannot influence, make recommendations or direct trading in the securities of the issuer on which they have received non-public information.

The Business Standards Committee and the BPC undertook a systematic review of the firm's wall crossing procedures with a view to reducing the number and duration of wall crosses. The following enhancements were implemented during the summer of 2010 and resulted in a reduction in the number and duration of wall crosses.

7. With respect to Information Barriers and wall crosses, requests by IBD to initiate a wall cross for a Securities Division employee must be approved by a participating managing director (PMD) or a senior extended managing director (EMD) in IBD who is supervising the relevant transaction or project, as well as one of a small number of PMDs or senior EMDs in the Securities Division, designated by divisional management. One of the heads of the Securities Division or his designee must approve requests when more than

[1] Goldman Sachs Asset Management is separated from other divisions of the firm both physically and pursuant to policies and procedures that have been developed in accordance with applicable regulations.

five Securities Division employees are needed to cross the Wall in connection with any particular transaction or project. This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

The firm is also enhancing training and professional development programs and putting in place additional surveillance of Information Barriers.

C-2. Origination and Underwriting Activities

IBD personnel have primary responsibility for the execution of underwritings of corporate, sovereign and municipal debt and corporate equity securities. The Securities Division has historically executed some transactions that involve the issuance, creation or repackaging of financial instruments.

8. The Business Standards Committee recommends that certain underwriting and origination activities be moved from the Securities Division to the Financing Group within IBD, including certain activities related to mortgage-backed and asset-backed securitization, emerging markets debt and money market instruments such as commercial paper. Business units of the Securities Division that continue to conduct origination activities will have policies and standards, approval processes, disclosure requirements and oversight that are consistent with those that apply to all origination activities in IBD. This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

C-3. Written Communications During Underwriting and Advisory Assignments

In connection with an underwriting or an advisory engagement involving a material strategic transaction, the firm operates a Restricted Trading List Policy (RTL Policy). This policy may impose restrictions on sales communications, trading and research to mitigate legal, regulatory, or conflict issues and to eliminate any appearance of the improper use of material non-public information. The RTL Policy permits the publication of research and the continuation of market making only to the extent permitted by applicable law.

Our clients expect our salespeople and traders to express their independent views on markets and companies and to develop trading ideas. These activities occur on the public side of the firm's Information Barriers. The RTL Policy restricts written client communications[2] regarding an underwritten security from the announcement of that offering until the offering is priced. Moreover, in connection with U.S. initial public offerings (IPOs), the policy further restricts written communications until 25 days after pricing. Subject to guidelines, the policy generally permits written communications by sales and trading personnel during a pending material strategic transaction on which the firm is advising a client, once that transaction is in the public domain.

We reviewed the RTL Policy to determine how we could reduce the appearance of conflicts of interest in the firm's sales and trading activities during and immediately after underwriting securities and advising clients, while preserving the firm's ability to appropriately serve its investing clients.

9. The Business Standards Committee recommends that the firm's existing policies regarding written communications during underwriting and advisory assignments be supplemented to restrict Securities Division and Private Wealth Management (PWM) personnel from disseminating broadly to clients written sales communications either (i) recommending an investment or transaction, or (ii) expressing a view[3] regarding the issuer or client, its securities or its other financial instruments, or regarding other transaction parties and their securities or their other instruments as follows:

   - For offerings of equity or equity-linked securities or high yield debt offerings or loan syndications,[4] the restriction would apply from the pricing date until 30 days thereafter.
   - For material strategic transactions in which Goldman Sachs is advising a party, the restriction would apply from public announcement through closing of the transaction.

[2] This discussion does not address written communications by the firm's Global Investment Research Division ("GIR"). There are regulations and well-established firm policies that govern the publication of research by the firm's independent Global Investment Research Division in connection with an offering being underwritten by Goldman Sachs or a material strategic transaction in which the firm is advising a client. To the extent permitted by law and policy, GIR may continue to publish research.

[3] We will continue to permit written communications with views that are consistent with recently-published GIR research or that attaches, summarizes or references that research.

[4] Offerings and syndications of investment grade debt and offerings and trading of asset-backed and mortgage-backed securities are generally excluded because of their frequency and because they generally are not material to the issuer or originator of the underlying assets, in each case unless otherwise determined by the Capital Committee or a subcommittee thereof. Municipal and not-for-profit issuers will be treated as issuers of high yield corporate debt.

This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

Securities Division or PWM personnel may request that the Legal or Compliance Departments grant an exception, subject to applicable regulations, if there is a fundamental change in the business or prospects of the issuer or other relevant party. In addition, if the time between the announcement and the closing date for a material strategic transaction becomes longer than is standard for transactions of this type, Securities Division and PWM personnel may also request an exception from the Legal or Compliance Departments, subject to applicable regulations.

C-4. Multiple Roles in a Particular Transaction

The firm often plays multiple roles in a specific transaction. Examples include the following:

- The firm provides financing for an acquisition by a firm-managed fund;
- The firm executes transactions, such as derivatives or purchases of loan portfolios, with an IBD advisory client;
- The firm underwrites securities of an issuer in which the firm or a firm-managed fund is an existing lender or investor; and
- The firm provides financing (staple financing) to potential buyers of an asset when IBD is advising the seller of that asset.

The CRBSG and, in most cases, one of the firm's transaction oversight committees review these transactions in advance because of the potential for actual or perceived conflict between the firm and a client or fund. The firm may be able to address potential conflicts by providing disclosure to its clients, obtaining appropriate consents, relying on Information Barriers, carefully defining its role and / or requesting that the client engage a co-advisor. The Committee has reviewed the firm's policies and practices governing these activities and makes the following recommendations.

10. To strengthen client relationships and reputational excellence, the Business Standards Committee recommends as follows:

    (i) Goldman Sachs will not be the sole financing source for acquisitions by MBD private funds, other firm-managed private funds or portfolio companies controlled by those funds,[5] except in special circumstances with the approval of senior management or an appropriate committee of the firm.

(ii) Goldman Sachs will carefully review requests to provide financing to competing bidders when a MBD fund or other firm-managed private fund is pursuing an acquisition as a bidder. Senior management or an appropriate committee of the firm will be part of the review process.

(iii) Goldman Sachs will carefully review requests to provide staple financing when IBD is selling a public company. This review will occur as part of the firm's customary staple financing approval process. Senior management or an appropriate committee of the firm will be part of the review process.

(iv) The applicable transaction oversight committees – with the assistance of the CRBSG and the Legal Department – will undertake a heightened review before approving an underwriting for an issuer in which the firm or its affiliates, including MBD and other firm-managed private funds, have a material interest as a shareholder or creditor.

C-5. Fund and Firm Balance Sheet Investing and Lending Activities

Several business units of the firm may pursue lending and investing activities. For example, the Securities Division as well as funds in IMD and MBD may make or invest in senior, subordinated and mezzanine loans. Equity investments may also be made by business units in different divisions. The Securities Division generally lends and invests for the firm's own account, while IMD and MBD generally invest and lend on behalf of funds for which the firm is acting as investment manager and fiduciary. Potential conflicts of interest may arise in connection with certain of these activities.

11. The Business Standards Committee recommends that IMD funds that make alternative investments should be integrated into the firmwide Conflicts Resolution and Business Selection process in a manner consistent with their fiduciary duties. This recommendation reflects our objective of strengthening client relationships and reputational excellence.

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[5] Rules to be adopted as part of financial regulatory reform may limit or restrict certain of the activities described above between Goldman Sachs and MBD funds, other firm-managed funds and / or portfolio companies controlled by those funds.

C-6. Conflicts Policies / Processes / Principles

The CRBSG has developed policies and guidance on activities requiring advance clearance. To identify potential conflicts, the CRBSG relies on internal databases and consults with relevant firm employees. In addition, CRBSG professionals are members of many of the committees that oversee transaction execution. They also receive committee meeting agendas. The group obtains information about activities on the public side of the firm's Information Barriers – including positions in securities and confidential information possessed by employees – primarily by monitoring internal databases. This ensures that public side personnel are not inadvertently alerted to a potential transaction on the private side of the Wall. The group also obtains information about private side activities from relevant private side personnel. The CRBSG continually reviews and updates its policies and procedures in this regard.

12. To strengthen reputational excellence, the Business Standards Committee recommends that the firm review and update conflicts-related policies and procedures, as appropriate. The firm will make a consolidated and comprehensive compilation of these policies and procedures available to relevant personnel in connection with training and professional development initiatives. This compilation will also serve as an ongoing resource to the firm and its employees and facilitate monitoring by the Compliance and Internal Audit Departments. The Committee stresses that all employees share the responsibility to identify and elevate potential conflicts.

C-7. Client Communications

It is important that each client understand the roles and responsibilities that we assume in any particular transaction. We have reviewed what we disclose about actual or perceived conflicts in engagement letters, standard disclaimers and other documents. Our goal was to enhance the firm's overall conflicts resolution process, provide relevant information to clients and strengthen their confidence in Goldman Sachs.

13. The Business Standards Committee recommends that the firm employ materials written in plain language that articulate:

    (i) What it means that the firm has completed its conflicts resolution and business selection process in any particular situation; and

    (ii) What other activities the firm may continue to conduct while we are advising or financing a particular client.

We recognize that the language in engagement letters and standard disclaimers is often complex. We will provide education and training for firm employees and encourage them to communicate with clients through discussions and plain language written presentations about our conflicts resolution and business selection process. We will tailor this material to the business of a specific division and update it over time. Each employee who interacts with clients will be responsible for understanding and communicating the guiding principles for conflicts resolution and business selection to clients and will be accountable for following them. This recommendation reflects our objectives of strengthening client relationships and reputational excellence and enhancing transparency of communication and disclosure.

C-8. Training and Professional Development related to Conflicts Resolution

14. The Business Standards Committee recommends that the firm enhance its training and professional development programs regarding conflicts resolution. These programs will be updated to focus on familiarizing people with the compilation of conflicts policies and procedures discussed in the prior recommendation. Each employee who interacts with clients will participate in these programs. This recommendation reflects our objectives of strengthening client relationships and reputational excellence and enhancing transparency of communication and disclosure.

SECTION IV: STRUCTURED PRODUCTS

A. INTRODUCTION AND OVERVIEW

In the area of structured products,[6] we have recently seen efforts by market participants to simplify products and structures and avoid unnecessary complexity. Of course, the underlying forces which drive innovation in our financial markets and products cannot be eliminated; in fact, that innovation produces many benefits. However, for the most complex products, there may be a serious question about whether a complex product should be introduced into the market at all, even though it may address a client's needs.[7]

The Committee believes all financial institutions, including Goldman Sachs, bear responsibility for constantly improving practices and procedures relating to the marketing and distribution of structured products. In addition, regulators and lawmakers around the world are considering changes to rules and law governing these products. We also recognize that the financial services industry and capital markets will continue to evolve. Accordingly, the firm must maintain the flexibility to adapt over time the recommendations discussed below to address changes in markets, regulation and the competitive and macro-economic environment.

The Committee examined several issues related to structured products, including the firm's existing internal approval process, the suitability of products for different types of clients, pre- and post-transaction sales practices, disclosure and documentation. Our recommendations will strengthen the firm's standards by:

- Improving the process for identifying structured products that should be subject to heightened review and approval;
- Enhancing our framework for evaluating suitability by distinguishing between different client segments and focusing on individual clients;

[6] This section of the report deals with three categories of products and transactions: complex, structured and strategic. We use the term "structured products" to refer to these categories collectively and we use the category names complex, structured and strategic when discussing these categories individually.

[7] The Firmwide New Activity Committee (described in Section VI of this report) and the firm's transaction oversight committees will be expressly charged with addressing this question.

- Developing additional pre- and post-transaction sales practices that, by building on existing practices, strengthen the firm's responsibilities to our clients, provide stronger controls and enhance the post-transaction experience through additional client service; and
- Formalizing practices regarding securities origination and disclosure standards.

Several aspects of the Committee's principles and recommendations exceed current regulatory requirements. Certain recommendations will result in the documentation of practices that are already part of the firm's existing business standards. Documenting all practices will create greater accountability.

While the recommendations on structured products focus on the Securities Division, each division will implement these recommendations in a manner appropriate for their particular businesses.

B. <u>GUIDING PRINCIPLES</u>

The following principles guided the development of the recommendations on structured products:

- <u>Standards of Sophistication.</u> We are committed to knowing our clients and ensuring that they have the ability and background to understand the risks of all transactions they execute with us, including structured products.
- <u>Market Participation.</u> Before participating in a market for structured products, we will answer the critical question of whether we "should" engage in the relevant activity while we consider whether we "can" engage in the activity operationally.
- <u>Disclosure.</u> We are committed to making clear disclosures in offering documents.
- <u>Documentation.</u> We are committed to timely communication and transmission of relevant information and documents to our clients.
- <u>Post-Transaction Engagement.</u> Our responsibility to work with our clients does not end when we execute a transaction. We expect to engage with clients after the execution of a transaction, particularly when market developments occur that could materially impact the transaction and the client.

C. DISCUSSION AND RECOMMENDATIONS

The Committee's recommendations fall under the following four headings: (i) identifying complex transactions, designated structured transactions and strategic transactions; (ii) client suitability; (iii) pre- and post-transaction sales practices; and (iv) disclosure and origination standards.

C-1. Identifying Complex Transactions, Designated Structured Transactions and Strategic Transactions

The task of identifying structured products is complex. While certain factors such as leverage, lack of liquidity and lack of price transparency frequently characterize these products, there is often no simple mechanism for determining on which side of the line a particular structured product falls. Once a product has been identified as a structured product, the review and approval process for that product must consider the client segments investing in the product. Certain structured products that are suitable for one set of clients (e.g., professional investors) will not be suitable for others (e.g., retail).

Mindful of these challenges, we propose a framework for identifying those structured products that should be subject to heightened review and approval. We recognize that, as products and markets evolve, the framework will need to evolve and that a framework can never fully replace good judgment.

The Business Standards Committee recommends establishing a global, consistent process for determining which transactions will be subject to enhanced review, approval and documentation. Specifically, the Committee recommends a three step identification process for designated structured, strategic and complex transactions as follows:

15. Designated Structured Transactions. The Structured Products Committee (SPC) will continue to review and approve all transactions that meet the requirements of a "designated structured transaction" under the charter of the SPC. Designated structured transactions are transactions, series of transactions or products where: (i) one of the client's principal objectives appears to be to achieve a particular legal, regulatory, tax, or accounting treatment, including transferring assets off balance sheet; (ii) the proposed legal, regulatory, tax, or accounting treatment is materially uncertain; (iii) the product or transaction (or series of transactions) have substantially offsetting legs or lack economic

substance,[8] or (iv) the product or transaction (or series of transactions) could be characterized as a financing, but is structured in another manner. This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

16. <u>Strategic Transactions.</u> All strategic transactions will be subject to heightened review and approval. For this purpose, "strategic transactions" are transactions that are sufficiently large and important to a client or sufficiently large in the context of the market that they warrant heightened scrutiny. These transactions are often characterized by several of the following factors: (i) losses or gains from the transaction could reasonably be expected to materially impact the client's financial position or have an adverse reputational impact on the firm; (ii) the transaction is likely to have a material impact on the market; (iii) the transaction requires the approval of the client's Chief Financial Officer, Chief Executive Officer or Board of Directors; (iv) the transaction hedges a material acquisition, disposition or other business combination transaction by the client, and the hedge is material; (v) the transaction requires separate disclosure in the client's financial statements or will otherwise be disclosed through a public filing; or (vi) the transaction represents a large financing commitment by the client. Strategic transactions may not involve complexity or unique structural features, but nevertheless merit heightened review because of these factors. This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

17. <u>Complex Transactions.</u> Complex transactions will also be subject to heightened review and approval. While not an exhaustive list, the following factors indicate complexity: (i) leverage; (ii) illiquidity; (iii) the potential for losses in excess of initial investment; (iv) lack of price transparency; and (v) non-linear payouts. The Committee has identified these factors to guide salespeople[9] in deciding which transactions are complex and merit heightened review and approval. Not every transaction exhibiting these factors is complex – in fact these factors may be present in relatively simple transactions. Identifying complex transactions requires judgment. When in doubt, salespeople will seek guidance from their supervisor or the chairs of the Firmwide Suitability Committee (or their designees).

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[8] "Offsetting legs" refers to cash flows under different parts of a transaction (or group of related transactions) which from an economic perspective cancel each other out. Transactions with offsetting legs may lack economic substance. Transactions without economic substance have not been and will not be approved by the SPC.

[9] References to salespeople include, where the context requires, marketers, structurers and other members of the Goldman Sachs business team that work on structured products.

The Committee recommends the creation of new due diligence procedures. As part of the heightened review of complex and strategic transactions, salespeople will be required to complete a due diligence questionnaire that discusses the factors detailed above. The Firmwide New Activity Committee will also analyze these factors when reviewing a proposed new product or activity. This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

C-2. Client Suitability

The firm's policies and procedures must take into account the client segments to which products and transactions are being distributed. The level of scrutiny will depend partly on the client and partly on the specific role that Goldman Sachs is performing. Even where the firm does not have any legal responsibility to evaluate the suitability of a structured product, we believe the firm should nonetheless conduct suitability reviews as part of our pre-transaction approval process. We believe that this does not alter the fundamental nature of the client relationship or create additional legal duties or responsibilities.[10]

18. To strengthen client relationships and reputational excellence, the Business Standards Committee recommends redefining the firm's approach to segmenting clients for suitability purposes into one of the following three segments:

    - professional investors (e.g., banks, broker-dealers, investment advisers and hedge funds);
    - other institutional accounts (e.g., municipalities, sovereigns, sub-sovereigns, pension funds, corporations, charities, foundations and endowments); and
    - high net worth accounts (e.g., natural persons, family offices).

Clients will be classified in one of these three segments; the classification will form part of their client profile, which is described below, and will be incorporated into the suitability analysis for transactions executed by that client.

As a general rule, the sale of structured products to other institutional or high net worth accounts will be subject to heightened suitability review. Professional investors will be presumed eligible to enter into most types of transactions without specific heightened review unless the

[10] For example, in jurisdictions where the firm has a suitability obligation only when it recommends transactions to a client, the firm nonetheless may choose to conduct a suitability-type review on other transactions.

transaction is flagged as a designated structured transaction (Recommendation 15) or strategic transaction (Recommendation 16).

We recognize that some clients do not fit easily into any particular segment.[11] Moreover, the designation of a client as belonging to any particular segment is not a prejudgment on that client's level of sophistication or ability to transact in particular types of instruments; on the contrary, we believe that there is no substitute for a specific review of each individual client in making determinations about suitability. We concluded that our segmentation of institutional investors into two segments is consistent with recent regulatory developments and will improve our assessments of suitability.

For retail and high net worth investors, Goldman Sachs has policies addressing the distribution of structured products through Goldman Sachs PWM and third-party distributors. These policies are part of a Global Framework for the Distribution of Structured Investment Products, which sets forth the approval standards and review processes for certain products (including structured products) that are sold or re-sold (or used to create a product that is re-sold) to these investors. The Structured Investment Products Committee oversees this framework. In the Business Standards Committee's view, the Global Framework is consistent with the firm's overall approach to the issue of suitability in relation to structured products.

C-3. Pre- and Post-Transaction Sales Practices

Pre-Transaction Sales Practices

The Committee analyzed the firm's pre-transaction sales practices, particularly in relation to structured products. This analysis builds on work previously conducted by the BPC on trading derivatives with municipal, sub-sovereign, sovereign and corporate clients. The following changes were made following the BPC's work:

- The firm introduced heightened suitability procedures and other enhanced controls for derivatives in 2008. These procedures and controls were expanded in 2009 and 2010 as part of a broad new suitability policy.
- The firm enhanced its review process for routine U.S. municipal bond underwritings.

[11] For example, some professional investors may themselves distribute products to retail and high net worth individuals. The firm has a separate process specifically designed to evaluate the suitability of the products distributed to retail or high net worth investors as discussed further below.

- The firm enhanced pre-transaction due diligence, disclosure and documentation procedures in 2009. The firm is now required to provide certain prospective clients with sensitivity analyses and mark-to-market scenarios for relevant transactions.
- The firm introduced new escalation and approval procedures, including a requirement that transactions with specified features (e.g., large in size or complex) receive approval by the supervisor for the applicable desk and, in certain cases, the appropriate Regional Suitability Committee.[12]

19. To strengthen client relationships and reputational excellence, the Business Standards Committee recommends the following additional enhancements to the firm's overall pre-transaction sales practices:

A client profile will be maintained for each client in the form of a matrix (a Transaction Class Matrix or TCM) which reflects the types of transactions (e.g., cash, options, contingent liabilities) and underliers (e.g., equities, commodities, rates, credit) in which the client is pre-approved to transact from a suitability perspective. The TCM must be reviewed and approved by the relevant sales manager and Compliance officer before becoming effective and before being amended.

A heightened suitability review and approval will be required for any transaction or transaction class that falls outside a client's TCM. The level of review and approval required will generally be based on: (i) the maximum probable exposure (MPE) for the transaction; (ii) the segment classification of the client determined as outlined in Recommendation 18 above; and (iii) the factors for determining complexity as outlined in Recommendation 17 above (collectively, Due Diligence Review Criteria). These Due Diligence Review Criteria will be included in the Due Diligence Questionnaire that sales professionals will complete when they seek approval for transactions with clients who have not been preapproved for those transactions.

All designated structured and strategic transactions will require heightened review even when a client is eligible to execute a transaction based on its TCM.

[12] As described in Section VI of this report, the Regional Suitability Committees are being replaced by a Firmwide Suitability Committee.

Post-Transaction Sales Practices

Our responsibilities to clients do not end on the execution date of a transaction. Post-transaction monitoring and follow-up will create greater sales force accountability, greater transparency to clients and a better client experience overall. As part of the BPC review noted above, the firm has already implemented several new post-transaction enhancements for derivative transactions with specific clients, including (i) tighter documentation standards (including reporting and escalation procedures for unexecuted confirmations); (ii) sending monthly valuation reports on specified transactions to certain clients; and (iii) improved ongoing monitoring (and internal review) of transactions through quarterly meetings with business supervisors and the Credit, Legal and Compliance Departments. The purpose of these meetings is to review high exposure levels and MPEs for certain clients.

20. To strengthen client relationships and reputational excellence, the Business Standards Committee recommends the following post-transaction sales practices for structured products:

    The firm will establish processes to monitor relevant metrics (e.g., mark-to-market) for clients. Sales managers will be responsible for reviewing the results of this monitoring and taking appropriate actions on relevant transactions. There will be a mechanism for escalating issues to sales leadership and the Credit, Legal and Compliance Departments. Sales professionals will also be required to monitor the actual mark-to-market for transactions selected for heightened review and compare that mark-to-market against any previously analyzed stress test results that were provided to the client. In addition, divisional management will consider practices for monitoring the fulfillment by sales professionals of these post-transaction responsibilities for clients.

C-4. Disclosure and Origination Standards

Financial intermediaries like Goldman Sachs play many different roles in structured products, including acting as issuer, underwriter / arranger, derivatives counterparty, index sponsor, collateral agent and calculation agent. Depending on the roles the firm undertakes and the form and structure of the instrument we ultimately transact, the firm can encounter different legal and reputational risks. The Committee examined a broad cross section of the structured product securities underwritten and sold by the firm to identify ways to enhance Goldman Sachs' origination and disclosure practices. The resulting recommendations, all designed to improve transparency, are outlined below.

21. The Business Standards Committee recommends that each business unit that originates securities products[13] be subject to consistent policies and standards, approval processes, disclosure requirements and oversight as contemplated by Recommendation 8. These controls will include the following: (i) each business unit will be required to have written policies and procedures incorporating minimum disclosure standards; (ii) the appropriate firmwide transaction oversight committee will review and approve the policies and procedures governing origination activities of each business unit; and (iii) each business unit will be required to designate a business supervisor who is responsible for its origination activities and compliance with applicable policies and procedures. This recommendation reflects our objectives of strengthening client relationships and reputational excellence.

22. To strengthen client relationships, reputational excellence and enhance transparency of communication and disclosure, the Business Standards Committee recommends as follows:

(i) The offering documents for securities products should include appropriate disclosure of risk factors, including risks arising from the instrument structure, underlying assets, market risks and counterparty credit risks. Where appropriate, investors will be provided with scenario analyses and stress test results. The firm will formalize disclosure standards to cover instances when the firm is underwriting a securities product that is collateralized by securities issued by Goldman Sachs (including when the securities product is issued by a special purpose vehicle). In those cases, the firm will disclose any material risks, including liquidity and credit concentration risks, associated with the collateral securities.

(ii) Business units must disclose to the relevant personnel responsible for approving a securities product any specific benefits to Goldman Sachs, in addition to underwriting fees.

(iii) The firm will continue to undertake appropriate due diligence reviews of issuers of securities products (including third-party issuers) and third-party managers. The business unit's policies and procedures will address when, and under which circumstances, the firm should review existing due diligence of third-party issuers or managers. For any issuance involving a third-party issuer or manager, the business

[13] "Securities products" refers to new issue securities sold by means of an offering document; it does not include bilateral derivative transactions.

unit responsible for the transaction will confirm that it has followed the firm's due diligence procedures.

C-5. Training and Professional Development in the Area of Structured Products

The Committee's recommendations outlined above will require substantial training and professional development.

23. To strengthen training and professional development, the Business Standards Committee recommends the development of cross-divisional training and professional development programs to implement the structured products recommendations. These programs will apply to all sales and trading personnel worldwide.

SECTION V: TRANSPARENCY AND DISCLOSURE

A. INTRODUCTION AND OVERVIEW

The Committee evaluated the firm's public financial disclosures[14] with the objective of improving our standards of transparency and disclosure with clients, investors, market participants, regulators and the public. As part of our work, we analyzed the feedback provided through the client survey and by the investor and analyst communities. We focused on explaining more clearly our business activities and performance, and how they relate to serving clients. We also wanted to address certain concerns and perceptions.

Our recommendations should be set in context. First, the firm does not have complete flexibility in communicating its financial condition and results. A U.S. public company's financial disclosures are framed by the requirements of the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). Indeed, our recommendations on disclosure will be subject to review by the SEC.

Second, any proposed new disclosure must be evaluated against the backdrop of disclosure provided by peers and competitors. It is important to our investors, regulators, and other constituencies that our disclosure be as comparable as practical to that provided by peers and competitors. In addition, the disclosure we provide should not competitively disadvantage the firm. Finally, improving disclosure is an ongoing process that will continue after the recommendations of the Committee have been implemented.

B. GUIDING PRINCIPLES

In making its recommendations, the Committee followed these principles:

- The firm's business activities should be described and presented in a way that clearly identifies the drivers of performance and revenues.
- The relationship between the firm's balance sheet and its business activities should be understandable and the firm's liquidity management practices clearly explained.

[14] The Committee concentrated its work on the firm's SEC disclosures, including the Form 10-K, Form 10-Q, and the firm's quarterly earnings release, which are filed on Form 8-K.

- The firm’s risk management practices and philosophies should be transparent and quantitative, and qualitative disclosure on credit risk exposures should be strengthened.
- The entirety of the firm’s financial disclosure and business descriptions should be presented simply and clearly.

C. DISCUSSION AND RECOMMENDATIONS

We have made recommendations addressing (i) Business Segment Reporting; (ii) Balance Sheet and Liquidity; (iii) Risk and Risk Management; and (iv) Clarity and Overall Disclosure. Each of these recommendations reflect our objective of enhancing transparency of communication and disclosure.

C-1. Business Segment Reporting

Because many of Goldman Sachs’ businesses are complex and integrated, we must articulate clearly the drivers of our financial performance. The client survey and overall public scrutiny suggest that we must improve our description of the firm’s businesses, distinguishing between our client franchise activities and our investing and lending activities.

24. The Business Standards Committee recommends reorganizing the firm’s three existing business segments into four business segments. The reorganized segment disclosure will provide more clarity as to the nature of the firm’s business activities, particularly the activities currently aggregated in the “Trading and Principal Investments” segment. This change will better demonstrate the importance of client franchise activities and client facilitation to our revenues. The four proposed business segments are:

    - **Investment Banking**: This segment will include the firm’s revenues from its activities as an advisor together with its debt and equity underwriting activities and revenues associated with derivative transactions directly related to an advisory or underwriting assignment.

    - **Institutional Client Services**: This new segment will include the firm’s revenues from client execution activities related to making markets in various products, which form an important part of the firm’s client franchise businesses. These activities are currently included in the Trading and Principal Investments segment. Institutional Client Services will also include the firm’s Securities Services business, which, under the existing segment construct, is aggregated into the “Asset Management and Securities Services” segment.

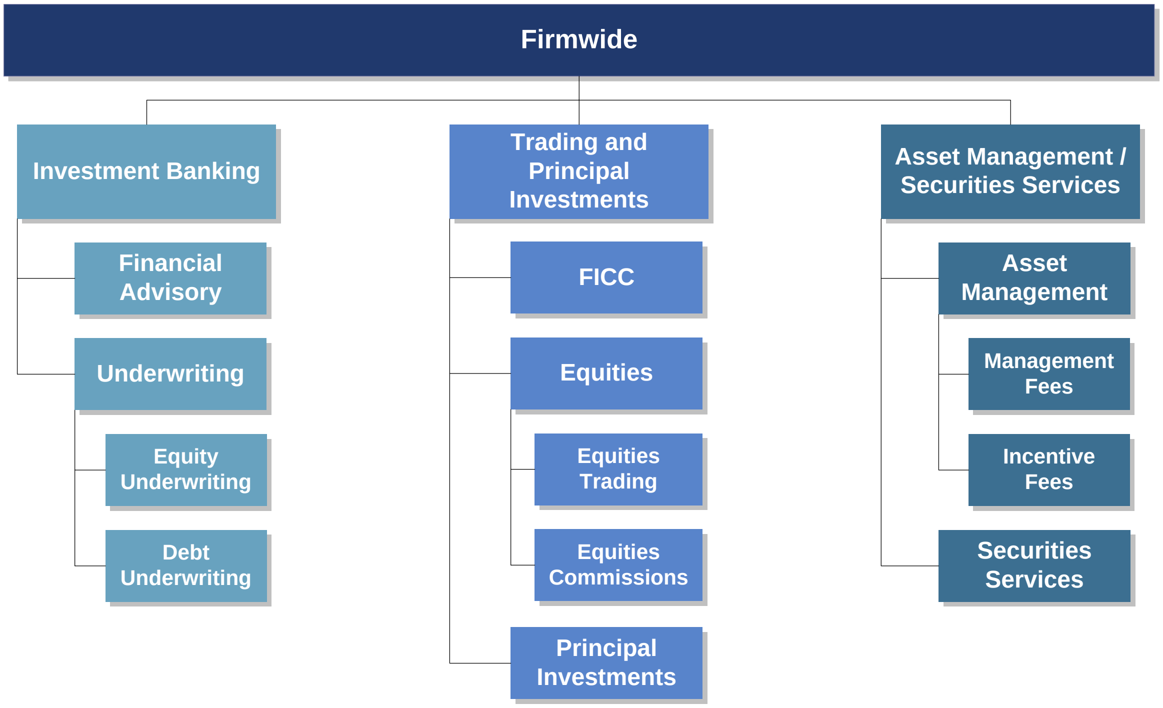
- **Investing & Lending**: This new segment will include the firm's revenues from investing and lending activities across various asset classes, primarily including debt and equity securities, loans, private equity and real estate.[15] These activities include both direct investing and investing through funds. Under the existing segment construct, these activities are currently included in the Trading and Principal Investments segment.
- **Investment Management**: This new segment will include the firm's fee revenues earned in connection with its asset and wealth management businesses, including Goldman Sachs Asset Management (GSAM), Private Wealth Management and the firm's merchant banking funds. In addition to management and incentive fee revenues, this segment will also include transaction revenues related to the firm's Private Wealth Management business, including commissions and spreads.

This change in the firm's business segments will require a three-year reorganization of the firm's segment disclosures.

[15] In the years through 2010, this segment also included the results of the firm's proprietary trading business, "Principal Strategies." The assets related to these activities were substantially liquidated during 2010.

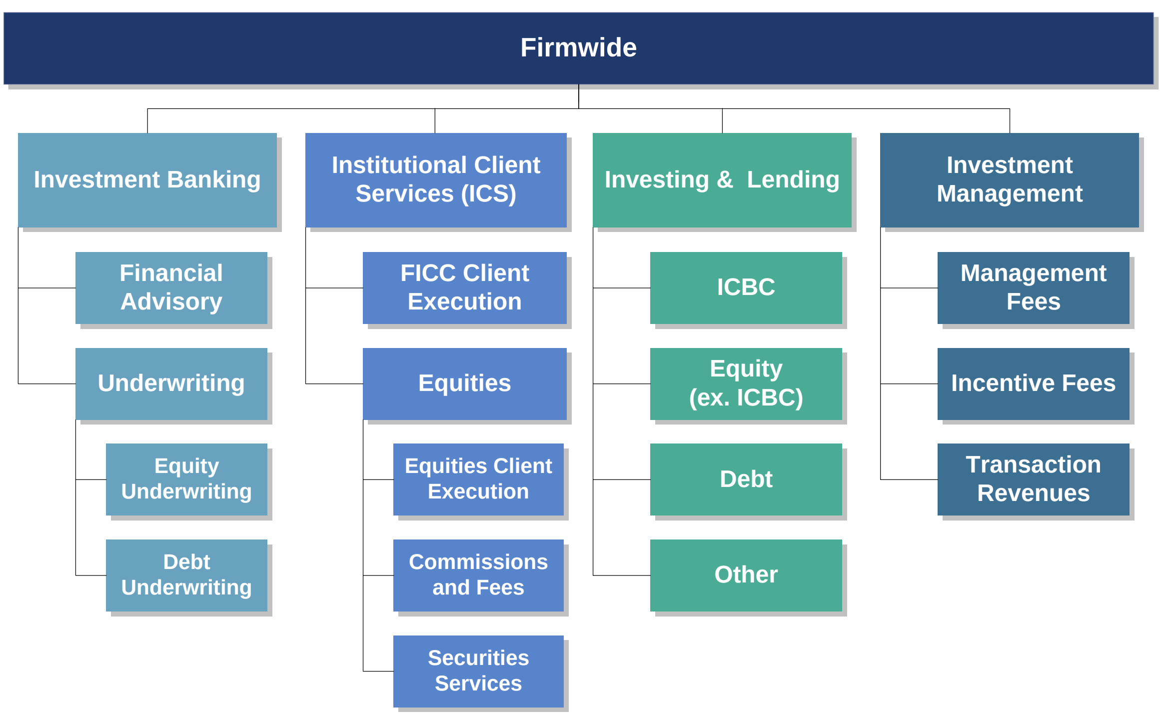
Existing Business Segments

The following diagram illustrates the firm's existing three business segments:



Proposed Business Segments

The following diagram illustrates the firm's proposed four business segments:



C-2. Balance Sheet and Liquidity

Balance Sheet

The firm's balance sheet disclosure provides another opportunity to describe more clearly the nature of the firm's business activities and the importance of the client franchise and client facilitation. In addition, balance sheet disclosure provides an opportunity to demonstrate the highly liquid nature of significant portions of the firm's balance sheet.

Our business model requires that we maintain a substantial balance sheet to facilitate client trades, provide financing to clients and make investments alongside clients. Current generally accepted accounting principles (GAAP) disclosure does not clearly identify the balance sheet impact of these client facilitation activities, nor does it explain the asset contribution of the firm's other activities and businesses.

25. The Business Standards Committee recommends that the firm disclose a simplified balance sheet showing assets by business unit / activity, including:

    - **Excess Liquidity**: the amount of available cash and highly liquid securities the firm maintains over and above its day-to-day liquidity needs;
    - **Secured Client Financing**: the assets related to secured funding provided to clients in the firm's prime brokerage, matched book and futures businesses, as well as client margin lending positions;
    - **Institutional Client Services**: the inventory related to the firm's client facilitation business, secured financing agreements and trading-related receivables;
    - **Investing & Lending**: the assets related to the firm's investing and lending activities, primarily including debt and equity securities, loans, private equity and real estate investments. These investments may be held directly or through funds; and
    - **Other Assets**: primarily includes the firm's goodwill, intangibles and physical property.

As required by U.S. accounting standards, the firm will continue to accord prominence in its disclosure to the GAAP balance sheet. It will also provide a detailed reconciliation of the GAAP balance sheet and the proposed simplified balance sheet.

Liquidity

The financial crisis underscored the need for financial institutions to maintain sufficient liquidity. Our liquidity policies are an important tool for ensuring that the firm maintains sufficient liquidity and we believe that additional disclosure on the mechanics and assumptions behind these liquidity policies will better describe our robust liquidity management framework.

26. The Business Standards Committee recommends that the firm (i) enhance disclosure with respect to liquidity stress tests by including details on both scenario assumptions and modeling parameters, as well as to provide substantial qualitative detail on the contractual and contingent cash and collateral outflows considered by the firm's Modeled Liquidity Outflow[16] and (ii) provide incremental qualitative detail on how the firm sizes its excess liquidity.

C-3. Risk and Risk Management

The financial crisis also demonstrated the critical importance of rigorous risk monitoring and management. We believe the firm should enhance the disclosure of risk management policies and practices, including details on our daily risk management process and overall credit risk.

27. The Business Standards Committee recommends that the firm implement the following:

    - Describe, in greater detail and in plain language, the firm's risk management structure, culture and processes. This description will include detail on (i) the firm's risk management governance structure, including the interaction between business units and independent control functions; (ii) how the firm uses committees to assist in managing risk, including a description of the relevant committees' specific mandates and membership; and (iii) the firm's risk management processes, including its use of mark-to-market, risk limits, price verification and active position management, and robust systems to ensure the timely delivery of comprehensive and reliable data.
    - Substantially enhance the discussion of Operational Risk, reflecting its increasing importance to the firm.

[16] Modeled Liquidity Outflow (MLO) is the firm's internal liquidity model that identifies and quantifies potential contractual and contingent cash and collateral outflows during both a market-wide and Goldman Sachs-specific stress situation.

- Provide additional qualitative disclosure regarding the Internal Capital Adequacy Assessment Process[17] (ICAAP) to explain more clearly this aspect of how the firm manages capital.
- Expand the description of credit risk to (i) include additional credit risks, such as loans and other non-derivative exposures, in our quantitative disclosure; (ii) provide increased granularity on credit exposures by industry and region; and (iii) qualitatively describe the firm's recent credit experiences.

C-4. Clarity and Overall Disclosure

Effective disclosure begins with describing the activities of a business in plain language. We identified areas where our disclosure could be clearer, where similar information could be synthesized in one place and where redundancy of information could be eliminated.

28. To improve the clarity of our overall disclosure, the Business Standards Committee recommends that the firm (i) rewrite its business description in the Form 10-K and its Annual Report to shareholders in plain language to better explain our business activities, our performance and how it relates to serving clients and (ii) reorganize its financial disclosure to consolidate related topics to remove, where possible, repetitive information described in both the Management Discussion and Analysis (MD&A) and financial statements, and to improve the overall clarity of the disclosure.

[17] The firm's Internal Capital Adequacy Assessment Process (ICAAP) ensures that the firm is appropriately capitalized relative to the risks of its businesses. ICAAP incorporates an internal risk based capital (IRBC) assessment designed to identify and measure risks associated with the firm's business activities, including market risk, credit risk and operational risk. Capital adequacy is evaluated based on the result of this IRBC assessment as well as using the results of stress tests which measure the firm's performance under various market conditions.

SECTION VI: COMMITTEE GOVERNANCE

A. INTRODUCTION AND OVERVIEW

Goldman Sachs relies heavily on committees to coordinate and apply consistent business standards, practices, policies and procedures across the firm. The firm's committee governance structure should serve to enhance our reputation, business practices and client service. In this way, committees serve as a vital control function.

In light of these objectives, the Business Standards Committee conducted a thorough review of certain of Goldman Sachs' firmwide operating committees with a particular focus on enhancements designed to achieve greater accountability for reputational risk management and client service.

B. GUIDING PRINCIPLES

In making its recommendations, the Committee followed these principles regarding the firm's committee governance structure:

- The structure must enhance accountability for business standards and practices, especially reputational risk management and client service.
- The structure must provide a clear roadmap for identifying, escalating and resolving reputational and client matters.

Summary of Process

We considered several factors and sources of information in reaching our conclusions and recommendations, including: (i) analysis of committee charters, agendas and meeting materials; (ii) interviews with committee chairs and observations of committee meetings and deliberations; (iii) analysis of committee membership and composition; (iv) analysis of processes and work flows, especially those involving new products approval and suitability review; (v) guidance from external consultants on governance, benchmarking and other areas; (vi) analysis of changing regulatory requirements and their impact, if any, on the firm's committee structure; (vii) detailed mapping of historical committee agenda items to the recommendations set forth below; and (viii) meetings with companies both within and outside the financial services industry to understand

and benchmark different practices and procedures, including those for managing reputational risk and responding to significant incidents.

C. DISCUSSION AND RECOMMENDATIONS

Our recommendations fall into three main categories: (i) establishing new committees or groups to enhance the firm's current committee governance structure; (ii) enhancing or restructuring existing firm committees to clarify roles, responsibilities and accountability; and (iii) enhancing the policies, procedures and infrastructure of committees to ensure greater consistency, efficiency and dissemination of best practices.

The recommendations of the Committee address the following objectives:

- Reinforce ownership and accountability for reputational risk management and client service;
- Reinforce ownership and accountability for decision-making and management of key risks by the leadership of divisions and business units;
- Clarify committee authority, roles and responsibilities;
- Reduce redundancy and potential gaps in committee responsibilities;
- Harmonize, where appropriate, cross-divisional practices to ensure consistency and comprehensive assessment of significant matters;
- Ensure that committees have membership from key risk disciplines, control functions and businesses;
- Formalize a process for reviewing events or incidents;
- Establish clear reporting lines of committees; and
- Ensure a transparent process for appeals of decisions and escalation of issues.

A diagram of the new committee structure and committee reporting lines is included at the end of this section.

C-1. Creation of Firmwide Client and Business Standards Committee

The Business Standards Committee recommends the creation of a Firmwide Client and Business Standards Committee (CBSC) that will assume the responsibilities of the existing Business Practices Committee and have additional focus on the primacy of client interests and reputational risk. This is an important change in the firm's committee structure, which is designed to show the interrelationship between client service, business practices and reputational risk management.[18]

29. The Business Standards Committee recommends that the following changes be made:

Establish a "Firmwide Client and Business Standards Committee." The Client and Business Standards Committee will function as a high-level committee that assesses and makes determinations regarding business practices, reputational risk management and client relationships. This committee will initially be chaired by the firm's President and Chief Operating Officer and will report to the Management Committee. Its responsibilities will include:

- designing and implementing a comprehensive firmwide program to enhance our client franchise;
- overseeing cross-divisional client coordination and annual client strategy reviews by division;
- regularly reviewing the operational and reputational risks of the producing divisions and certain control functions;
- resolving cross-divisional business practices and business selection matters;
- resolving appeals of business practices, suitability and reputational matters from other firm committees;
- periodically soliciting and assessing client views of the firm and addressing client concerns and incidents;
- overseeing divisional and regional Client and Business Standards Committees – formerly divisional and regional Business Practices Committees – and the newly formed Firmwide Suitability Committee and Firmwide New Activity Committee;
- commissioning cross-divisional committee reviews to identify best practices and / or to address emerging themes;
- overseeing the implementation of Business Standards Committee recommendations, where appropriate; and
- overseeing the Conflicts Resolution and Business Selection Group.

[18] The BPC recently conducted a self-assessment that resulted in several findings and recommendations that are consistent with the views and recommendations of the Business Standards Committee.

Establish a "Committee Operating Group" of the Client and Business Standards Committee. A Committee Operating Group will be established to assist the Client and Business Standards Committee in carrying out its functions. The Committee Operating Group will be headed by a senior leader reporting into the Chair of the Client and Business Standards Committee.

This recommendation reflects our objectives of strengthening client relationships, reputational excellence and committee governance.

C-2. Divisional and Regional Client and Business Standards Committees

The Client and Business Standards Committee will be supported by the divisional and regional CBSCs. These committees will be accountable for clients, business standards and reputational risk management at the divisional and regional levels.

The Business Standards Committee recommends:

30. Strengthen Procedures of Divisional and Regional Client and Business Standards Committees. The operating procedures of the divisional and regional CBSCs will strengthen accountability for reputational risk management and client relationships as follows:

    - appropriate senior leadership from divisions and regions will chair each divisional and regional CBSC. The Chairs of these regional and divisional committees will coordinate with the Chair of the CBSC in selecting members;
    - membership also will include senior control function leaders and, where appropriate, senior advisors such as retired PMDs. These members will help identify and elevate cross-divisional matters;
    - the divisional and regional CBSCs will be responsible for providing regular substantive reports to the Firmwide CBSC; and
    - unresolved matters and appeals will be escalated to the Firmwide CBSC.

    This recommendation reflects our objectives of strengthening reputational excellence and committee governance.

C-3. Suitability and New Activity

We analyzed how the firm makes product, client and transaction suitability determinations and how it reviews and approves new activities. Today, suitability determinations are made by different firm committees and at different levels. For instance, Regional Suitability Committees consider suitability for certain strategic transactions. The Structured Investment Products Committee considers suitability for certain products for high net worth or retail investors. The Capital and Commitments Committees consider suitability in connection with capital commitments and underwritings.

While various committees consider suitability, there is no single committee that acts as the central point of escalation for suitability matters arising from different committees. We believe one committee should set standards for client suitability across the firm's activities.

In addition, unless reviewed by a transaction oversight committee, the current approval process for new activities and products is primarily focused on operational and control matters. In other words, the approval process is focused primarily on answering the question of "can we" engage in the activity or product rather than also formally considering the question of "should we" engage in the activity or product, taking into account reputational, client, suitability or other concerns. Most of the work of regional and divisional New Products Committees focuses on the "can we" question. We believe that a firm committee should be required to formally ask and resolve the question of whether the firm "should" engage in any significant new product or activity, taking into account the factors above.

Any new product or activity must have the support of the leadership of the relevant division before it is brought before the appropriate firmwide committee. Each divisional CBSC will establish a formal process to consider and approve new products and activities from a reputational point of view before they are submitted to a transaction oversight committee for review.

The Business Standards Committee recommends that the following enhancements be made to the suitability and new activity review processes:

31. Establish a "Firmwide Suitability Committee." A Firmwide Suitability Committee will be established, reporting to the Client and Business Standards Committee. This new committee will replace the existing Regional Suitability Committees. In addition, to address time zone practicalities, an Asia Suitability Committee will be formed, which will

report to the Firmwide Suitability Committee. The Firmwide Suitability Committee will have the following responsibilities:

- review transactions originating in EMEA and the Americas that require review as set forth in Section IV of this report relating to Structured Products;
- set standards and policies for product, transaction and client suitability and provide a forum for more consistency across divisions, regions and products on suitability assessments;
- review suitability matters escalated from other firm committees; and
- oversee the activities of the Asia Suitability Committee, Structured Products Committee and Structured Investment Products Committee.

To facilitate consistent firmwide standards and practices for suitability assessments, the charters of the Firmwide Suitability Committee and the Asia Suitability Committee will require: (i) certain membership overlap; (ii) regular reports by the Asia Suitability Committee to the Firmwide Suitability Committee; and (iii) escalation of significant Asia-specific suitability matters by the Asia Suitability Committee to the Firmwide Suitability Committee.

<u>Establish a "Firmwide New Activity Committee."</u> A Firmwide New Activity Committee will be established, replacing the existing Firmwide New Products Committee. The Firmwide New Activity Committee will report to the Client and Business Standards Committee and will have the following responsibilities:

- for significant matters, answer the critical question of "should we" engage in the new activity (considering reputational, client, suitability and other concerns) as well as a detailed "can we" review, recognizing that divisional and regional business leadership must analyze both questions prior to sponsoring a matter;
- oversee the activities of the Regional New Products Committees, Acquisition Review Committee and Physical Commodity Review Committee; and
- establish a process to identify and review previously approved new activities that are significant and that have changed in complexity and / or structure or present different reputational and suitability concerns over time to consider whether these activities remain appropriate.

Considering the similarity of issues that may arise in the review of suitability matters related to transactions and new activities, the Business Standards Committee expects that the Firmwide Suitability Committee and Firmwide New Activity Committee will coordinate regularly to harmonize best practices and ensure a consistent approach. The two committees will have certain overlapping members.

This recommendation reflects our objectives of strengthening reputational excellence and committee governance.

C-4. Event Reviews

The Business Standards Committee recognizes the importance of learning from events or incidents that raise key risk concerns (e.g., reputational, business practices, client franchise or financial risks). These events can occur at the firm or in the market more broadly. The financial crisis further highlighted the importance and benefit of communicating this learning broadly throughout the firm along with targeted training and remediation following an event or incident. To facilitate "event reviews," it is important that senior management and select firmwide committees have a resource available to rapidly review incidents that raise key risks. The recommendation below is not intended to impact existing independent, internal functions, although event reviews should be coordinated with Internal Audit and other control functions where appropriate.

32. Establish the "Event Review Group." The Business Standards Committee recommends that an Event Review Group be on call to senior management and select firmwide committees to perform time-sensitive, high-profile targeted reviews of incidents or other business or industry matters of concern. The Event Review Group will comprise a rotating group of seasoned firm leaders. They will have the ability to assemble resources and work closely with the Legal and Compliance Departments and other relevant control groups. The Event Review Group will document and disseminate its findings to the appropriate constituents, and develop remediation, training and education initiatives. This recommendation reflects our objectives of strengthening reputational excellence, committee governance and training and professional development.

C-5. Enhancements to Committee Procedures

The charters of certain committees lack clarity and in some cases overlap with the jurisdiction of other committees. In addition, committees have different practices and procedures. To address these issues, the firm will improve the consistency of practices and procedures of firm committees, improve oversight and reporting lines and ensure that committees have the appropriate representation across key risk disciplines, control functions and businesses.

The Business Standards Committee recommends the following improvements to committee procedures:

33. Reputational Risk Ownership. Committee charters will reinforce the committees' ownership and accountability for, among other things, reputational risk management.

Firmwide Risk Committee Reporting. The Finance Committee and its subcommittees will report to the Firmwide Risk Committee, and the Firmwide Risk Committee will report to the Management Committee.

Capital and Commitments Committees. The Capital Committee will report to the Firmwide Risk Committee, and the Commitments Committees will report to the Client and Business Standards Committee. On reputational risk issues, both committees will engage with the Client and Business Standards Committee. On capital commitments issues, both committees will work with the Firmwide Risk Committee.

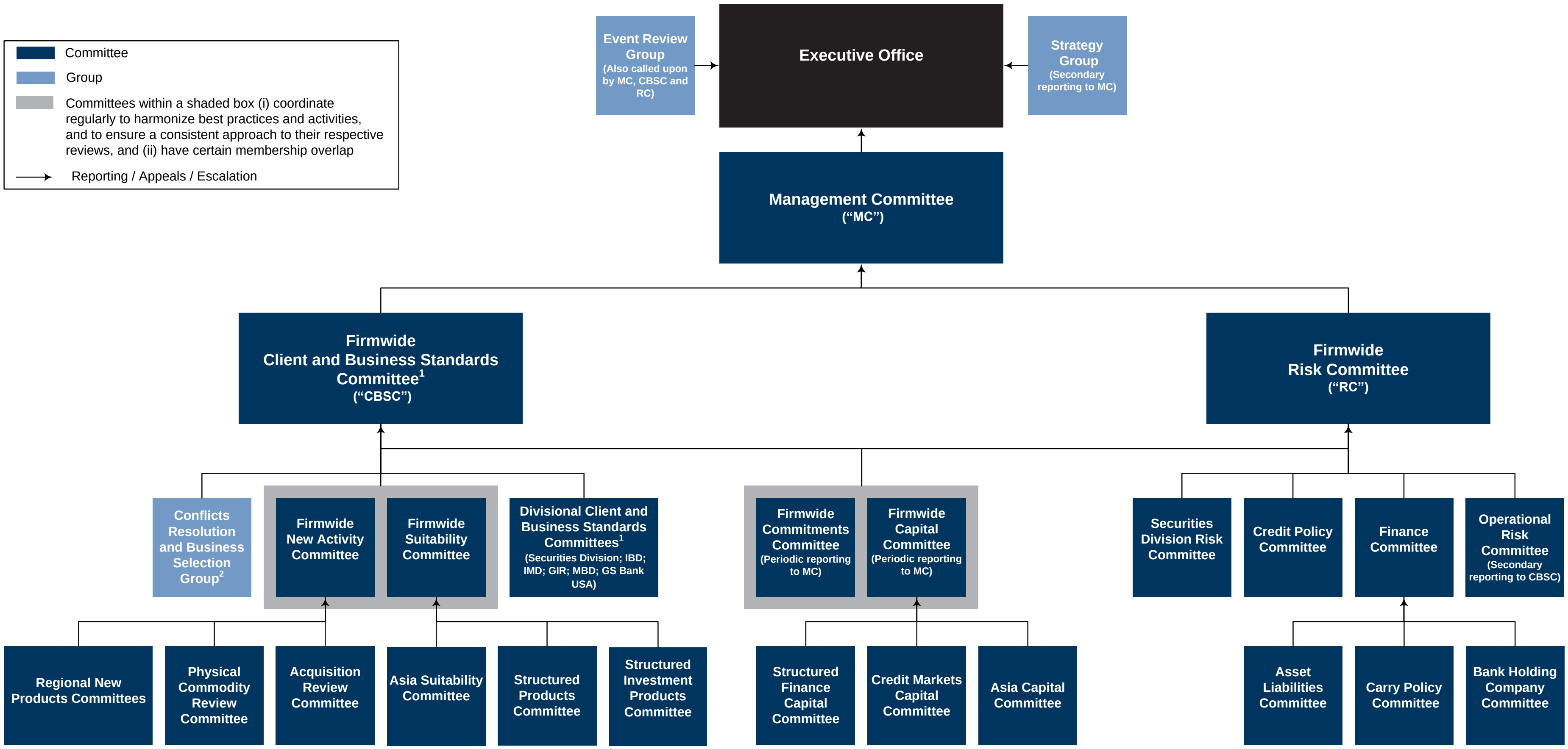
Both the Capital and Commitments Committees play significant roles in reviewing underwritings and firm capital commitments. Accordingly, each of these committee's charters will be amended to require certain membership overlap to ensure a consistent approach to reputational risk management and best practices.

Formal Committee Process Framework. The Committee Operating Group of the Client and Business Standards Committee will be responsible for establishing and maintaining a formal policy framework for committee best practices, processes and procedures governing all aspects of committee operations, including charters, regular meeting agendas, minutes and statements of action. The Committee Operating Group will require formal, periodic self assessments by committees of their activities and effectiveness, including member participation. These results will be presented to their supervising committee. The Client and Business Standards Committee and the Management Committee will be able to review these self assessments.

This recommendation reflects our objectives of strengthening reputational excellence and committee governance.

Recommended Committee Structure

The following chart reflects the new committee governance structure for the firm.



[1] Regional Client and Business Standards Committees report to executive leadership in the region and to the Firmwide Client and Business Standards Committee (coordinating with Divisional Client and Business Standards Committees as appropriate)
[2] Day-to-day responsibility to Division Heads; reporting / appeals / escalation to Firmwide Client and Business Standards Committee

SECTION VII: TRAINING AND PROFESSIONAL DEVELOPMENT

A. INTRODUCTION AND OVERVIEW

The success of the Business Standards Committee's efforts will be measured by how effectively our people act on its recommendations. Over time, effective training and development will enrich our corporate culture and strengthen the values of client service and our focus on reputational risk management.

Corporate culture is hard to define, but easy to recognize. We believe our culture is central to our ability to be successful. Yet even strong corporate cultures must evolve and adapt to changes in the business environment. In the aftermath of the financial crisis it is especially important for Goldman Sachs to adapt and evolve.

The Committee's implementation of recommendations will begin immediately in January 2011, starting with a meeting of all partners and followed by a meeting of all extended managing directors. In addition, the orientation in January 2011 for new PMDs and EMDs will include sessions related to the Committee's recommendations.

The goal of these efforts will be for top leadership to set the right tone and galvanize the firm into action. We will focus on the observations and recommendations of the Committee's report, and what the recommendations mean for our employees. This will serve as a guide for how we expect our employees to embrace and act upon the Committee's recommendations.

Over the next year, the firm's Chairman and CEO will lead a global program involving the firm's 2,200 PMDs and EMDs to reinforce the most important attributes of our culture. We will roll out a comprehensive program of communication and training to ensure that the critical themes and messages of the Committee are disseminated throughout each division and region of the firm. In addition, we will design and implement training and professional development to implement each of the recommendations in the report.

B. GUIDING PRINCIPLES

Our recommendations reflect the following guiding principles:

- Culture. The strength of Goldman Sachs' culture is critical to the firm's continued success. That culture must maintain its core values while continuing to evolve and adapt to changes in the market, regulation and the competitive and macro-economic environment.

- Leadership. Culture starts at the top of an organization. People must see their leaders and managers embodying the values and behaviors that exemplify the Goldman Sachs culture.

- Training and Professional Development. All training and professional development programs will emphasize the importance of our culture and reinforce the values embedded in our Business Principles.

- Communication. The firm's leaders should regularly communicate, both formally and informally, about our culture and values to ensure that they are part of every person's professional behavior.

- Recognition. Recognition includes compensation, promotion, assignments and mobility opportunities. The firm must make clear the link between the behavior expected of its people and the recognition used to encourage it. This is critically important because it signals broadly the way we expect people to behave and conduct business.

C. DISCUSSION AND RECOMMENDATIONS

C-1. Culture and Leadership

For more than 140 years, Goldman Sachs professionals have been building a culture based upon shared values that guide behavior and business dealings. These values – including client focus, excellence, integrity and teamwork – must inform how every person at Goldman Sachs behaves, interacts with clients and otherwise fulfills his or her daily responsibilities. These values are fundamental to earning the trust of clients, the confidence of stakeholders and the respect of the public at large.

Our culture – and employee confidence in and commitment to it – has remained strong following the financial crisis and the intense scrutiny of the industry and Goldman Sachs. That said, the events of the last several years and the results of both our external client survey and our internal culture survey[19] indicate that we need to reinforce certain aspects of our culture. We are committed to providing professional development programs that will strengthen key aspects of our culture, including:

- Client Orientation
- Reputational Excellence
- Personal Accountability
- Teamwork
- Long-Term Focus
- Professional Excellence

To ensure that our values are embedded in the activities and decision-making of our employees, we must repeatedly emphasize the importance of the firm's culture. We expect the firm's leaders to emphasize our values to our people at conferences, townhalls, other group meetings and in their day-to-day business activities. This is especially important given the firm's growth over the last decade. A majority of our people have been at the firm for less than five years. Instilling a sense of shared values across the firm requires that we constantly and rigorously emphasize, both formally and informally, our culture and each individual's responsibility for it.

The Business Standards Committee makes the following recommendations on our culture and leadership:

34. The firm will initiate professional development and training, beginning with its senior leaders, to immediately focus those leaders on reinforcing the firm's culture and on strengthening client relationships and reputational excellence. In addition, the firm will use milestones in people's careers as opportunities for targeted training on the Goldman Sachs culture. This recommendation reflects our objectives of strengthening client relationships, reputational excellence and training and professional development.

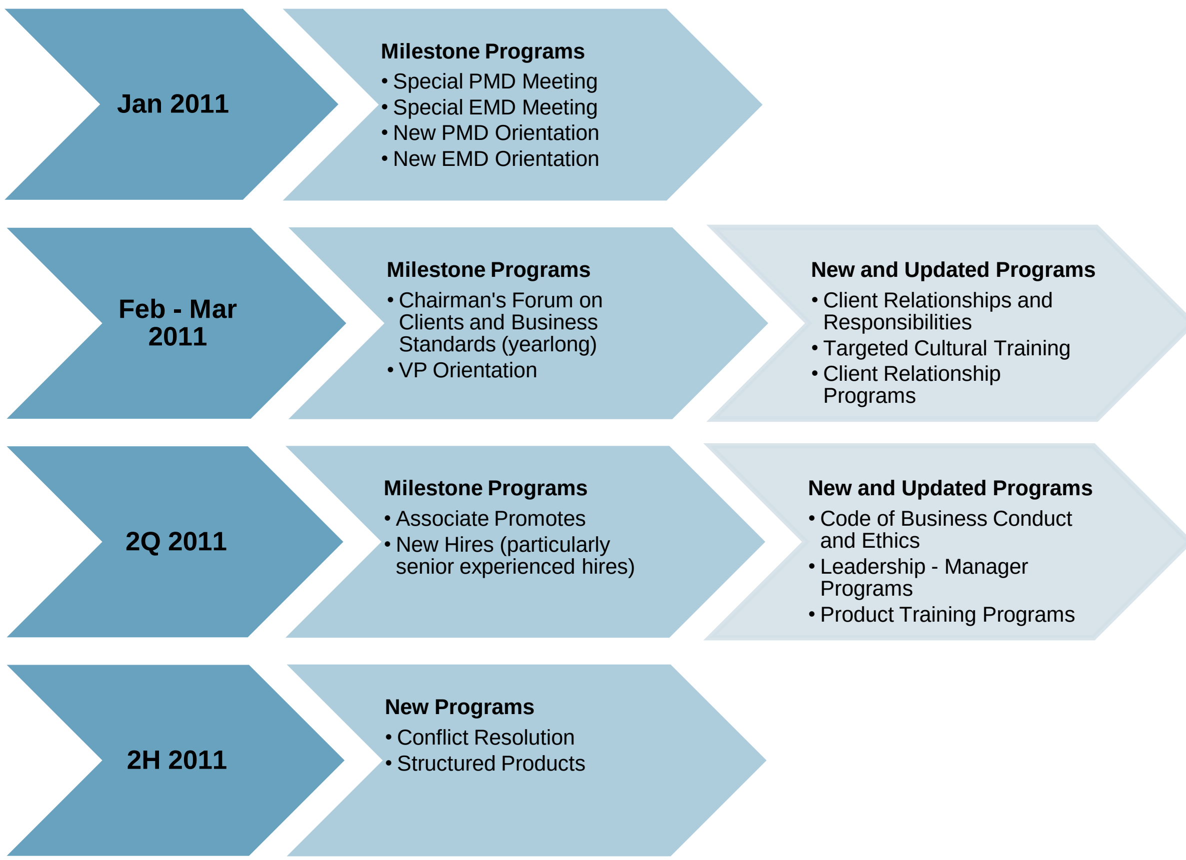
35. Our Chairman and CEO will lead the new Chairman's Forum on Clients and Business Standards, a global program engaging all of the firm's 2,200 PMDs and EMDs. This initiative will represent a large investment of time of our senior management team over the course of 2011 and will reinforce the most important attributes of our culture through in-depth discussions and case studies. The significant involvement of the CEO and other

[19] The firm regularly conducts an online culture survey of its employees. The Committee accelerated the timing and expanded the scope of the survey to have employee feedback for consideration in developing recommendations.

senior management communicates the importance of the program and its messages. This recommendation reflects our objectives of strengthening client relationships, reputational excellence and training and professional development.

These programs will (i) emphasize the firm's Business Principles and the client service values in order to reinforce the key cultural attributes identified above; (ii) provide early opportunities to review in detail the Committee's recommendations with the firm's senior leaders; (iii) reflect and incorporate key elements of our culture; and (iv) promote dialogue on the application of the Committee's recommendations to our businesses and the conduct of our people.

The major elements of the 2011 training and professional development programs are shown below:



C-2. Personal Accountability

Events during the financial crisis underscored the importance of managing reputational risk. Each employee of Goldman Sachs has responsibility for protecting the firm's reputation; an employee can do more to harm the firm's reputation through a single poor judgment than he or she can do to enhance it throughout an entire career. We believe that we must manage reputational risk with the same rigor as financial risk, and that each employee must focus on reputational risk.

36. To strengthen reputational excellence, the Business Standards Committee recommends that the firm emphasize the following criteria in the annual performance review process: (i) adherence to reputational risk management and (ii) reputational judgment and compliance. These enhancements were implemented for the 2010 performance review process.

C-3. Training and Professional Development

The implementation of the Committee's recommendations will require extensive training and a considerable investment of time and resources as discussed in greater detail in Section VIII, Implementation. The Committee believes that this training should emphasize the firm's culture and the firm's expectations for conduct and behavior. The better employees understand *why* we have certain expectations about behavior and conduct, the more likely they are to make good judgments.

37. To strengthen training and professional development, the Business Standards Committee recommends that the firm and each affected division design and implement training and professional development programs which address the Committee's specific recommendations.

C-4. Recognition

Recognition can powerfully communicate and reinforce expectations about appropriate behavior, when it is applied visibly and consistently. It can motivate people to behave in accordance with the highest standards of the firm. The converse is also true: when recognition is given to those who fail to meet the expected standard of behavior, or when deserved recognition is not given consistently, it can have a negative impact on employee behavior, and ultimately weaken the firm's culture.

In evaluating performance, the firm needs to give appropriate weight to leadership, culture and values along with commercial productivity. The firm will continue to focus on behaviors that exemplify client orientation, reputational excellence, personal accountability, teamwork, long-term focus and professional excellence and better link them to the firm's overall recognition programs, including promotion, compensation, assignments and mobility opportunities.

38. The Business Standards Committee recommends that the firm strengthen its focus on the importance of leadership, culture and values in the PMD and EMD promotion process by communicating to all involved their responsibility to thoroughly evaluate candidates on these attributes. This was accomplished in the 2010 PMD and EMD promotion process.

Communications during performance reviews, promotion and compensation conversations must be clear and specific so that our employees understand the correlation between recognition and behavior, particularly behavior related to leadership, culture and values.

This recommendation reflects our objective of strengthening reputational excellence.

C-5. Business Principles and Code of Business Conduct and Ethics

Acting with integrity and maintaining high ethical standards are critical values embedded in our Business Principles. Similarly, the firm's Code of Business Conduct and Ethics is intended to embody the commitment of the firm to conduct its business in accordance with all applicable laws, rules and regulations and with the highest ethical standards. While the Business Principles contain a set of core values, the firm's Code of Business Conduct and Ethics provides more specific guidance requiring amendment or updating from time to time. Both of these documents serve to maintain and encourage the compliance culture of the firm, a crucial element of our continued success.

39. To strengthen reputational excellence and training and professional development, the Business Standards Committee recommends that the firm update and strengthen the Code of Business Conduct and Ethics. Through that process, we will signal its importance and articulate the need for every employee to operate in accordance with the code. The firm should reinforce the importance of the Code of Business Conduct and Ethics by requiring employees to certify their compliance with the Code, highlighting it in orientation and training sessions and posting it more prominently on the firm's external and internal websites.

SECTION VIII: IMPLEMENTATION

A. INTRODUCTION

This final section of the Business Standards Committee report discusses the overall plan for implementing our recommendations. We view the recommendations as an integrated and complementary package of initiatives, each of which is concrete, realistic and achievable. Senior management and the Board of Directors are unequivocally committed to the implementation of all of the recommendations and expect our people to dedicate themselves to this effort. Finally, the Committee recognizes that the ultimate impact of its work will not be determined by what is written in this report but rather on how well the people of Goldman Sachs adapt their values and behavior to reflect the recommendations in the report.

An Oversight Group, consisting of senior leaders, will oversee the overall implementation effort. The Oversight Group will provide senior management and the Board of Directors with progress reports on the implementation effort and, more importantly, on how effective the changes are in achieving the Committee's larger goals. Below, we provide an overview of how the firm plans to execute these commitments.

The implementation plan has three basic principles. The first is ownership. One or more leaders of the firm have been assigned primary or secondary responsibility for the implementation of each of the Committee's recommendations. The second principle is accountability. Implementation leaders and their teams – through the Oversight Group – will report to senior management and the Board of Directors on their progress. The third, and more complex principle, is evaluation – is the implementation process yielding the desired results in promoting strengthened core values and culture across the firm?

The Committee's recommendations require major initiatives in training and professional development and substantial written documentation. Fulfilling these objectives requires a "plan within a plan" of implementation, which is discussed in parts C and D below.

B. IMPLEMENTATION FRAMEWORK

The key elements of implementation are: (i) Ownership and Oversight; (ii) Written Implementation Plans; (iii) Timing Commitments; (iv) Communication; and (v) Follow-Up and Evaluation.

- Ownership and Oversight. The Oversight Group will lead and oversee the implementation effort. As noted in Recommendation 29, one of the formal responsibilities of the newly formed Client and Business Standards Committee is overseeing implementation of the Business Standards Committee's recommendations. Accordingly, the Oversight Group will report to the Client and Business Standards Committee, to senior management and to the Board of Directors.

  Each recommendation has primary and secondary owners (Implementation Owners). The Implementation Owners include senior leaders from revenue producing divisions as well as the support and control side of the firm, reflecting the cross-divisional efforts required.

  For example, for structured products, the Implementation Owners have created separate workstreams including technology build outs, documentation, new policies and procedures and training materials. The Securities Division, the Technology Division, the Legal and Compliance Departments and other control functions are all committing substantial resources to this effort.

- Written Implementation Plans. A written implementation plan has been prepared for each of the Committee's recommendations and includes the following information:
  - the Implementation Owners;
  - a description of the implementation plan, including the concrete steps required and the defined outcome and goals;
  - a description of training and professional development required;
  - a list of critical items that are essential to determining overall timing;
  - a list of new documentation and documentation updates;
  - a description of any technology resources needed as well as any other special resources (such as external training experts) needed; and
  - a timetable for completion.

These written implementation plans are not intended to be static documents. They are tools to facilitate meeting deadlines and milestones, and Implementation Owners will review and update them regularly.

The complexity of the implementation plans varies by topic. The implementation of the recommendations related to structured products is especially complex. It will require a considerable amount of work including major technology build outs to implement the pre- and post-transaction sales practices and to standardize procedures with respect to origination and disclosure. Similarly, the implementation plan for Committee Governance in Section VI will require a large effort, since the charters for new firmwide committees must be created and those for existing committees must be updated.

- Timing Commitments. Given the amount and complexity of the work to be done, the Committee has avoided fixed deadlines and instead established targets by calendar quarters. Successful implementation is a beginning, not an end. For example, our success in reemphasizing the client service values can only be measured over time.

  A few recommendations have already been implemented. For example, the enhancements to our Information Barrier and wall crossing procedures outlined in Recommendation 7 are in effect. The firm has also completed the move of certain origination activities from the Securities Division to the Financing Group as contemplated by Recommendation 8.

  We recognize that timeframes cannot be rigid. The firm may need to adjust priorities in response to changing circumstances, including external events that impact our business and are beyond our control. The Committee is also acutely aware of the regulatory reform efforts underway in the United States and around the world that are certain to place enormous demands on our employees and resources. In certain cases, we have prioritized the implementation of the Committee's work to address the most critical changes first.

- Communication. One of the five broad priorities that run through the Committee's recommendations is enhancing transparency of communication and disclosure. For example, as noted in Recommendation 4, the new Client and Business Standards Committee will oversee a firmwide client franchise enhancement program. This program will include dialogue with our clients about the work of the Business Standards Committee. We also expect to have dialogue with our shareholders and the investor community about certain changes we are making, such as the changes in our financial disclosures. In addition, we will continue to post our regulators on the progress of our implementation of the recommendations.

- Follow-Up and Evaluation. The real test of success of the Business Standards Committee process will be whether the recommendations bring about the desired improvements in business standards and behavior. Accordingly, as implementation occurs over the next year and beyond, we will need to develop mechanisms to realistically evaluate how well we are meeting our underlying objectives.

C. TRAINING AND PROFESSIONAL DEVELOPMENT

For our business standards to adapt and change, our people need to adapt and change. Training and professional development is the essential tool in that process of adaptation and change because it reaches our people directly and in a strong and meaningful way.

The recommendations in this report have substantial training requirements. These requirements are in some cases firmwide initiatives and, in others, divisional and business-specific initiatives. For many firmwide initiatives, the training will have to reach all our people. For division or business-specific initiatives, the training will also have to reach large audiences. For example, we anticipate that the training on structured products, which will be highly specialized and intensive, will be rolled out globally to over 2,100 professionals in the Securities and Investment Management Divisions.

In light of the scale of this effort, we have created a Training Oversight Group consisting of senior business leaders. Each training initiative has a "Training Owner" responsible for roll out and for overseeing the development of the training curriculum for their programs. In areas such as Structured Products and Conflicts of Interest where significant changes are being introduced, the training materials will be very detailed and time consuming to develop. As necessary, Training Owners will work with outside vendors to develop the curriculum and content.

In developing a roll out plan for the training initiatives, we have analyzed a number of different factors. For example, we considered whether the training program needs to address a change in our organizational structure (e.g., the movement of a business unit), a change in our policies and procedures (e.g., updated written communication guidelines), or a change to our technology. The firm has also considered whether the training initiative should apply firmwide (e.g., training regarding the client service values) or should be targeted to a specific division or business unit (e.g., training regarding new disclosure and origination standards for newly issued securities products). We also identified a target audience for each training program. These audiences can include employees with specific titles and levels of seniority as well as employees with specific experience levels (e.g., experienced new employees versus recent graduate employees).

D. DOCUMENTATION

Written policies and procedures are an essential component of the compliance culture at Goldman Sachs. A critically important part of implementing the work of the Business Standards Committee involves updating and / or writing new policies, procedures and other key documents. The Committee places great importance on documentation because it is a key element in ensuring accountability. While long-standing business practices may develop without formal codification, there is a significant risk that good practices may not endure without documentation, particularly given employee turnover, and that accountability will be lost.

The Committee's recommendations will require a number of new documents as well as updating and revision of existing policies, procedures and documentation. An inventory of documentation updates and new documentation requirements (Documentation Inventory) has been created and a senior leader from either the Legal Department or the Compliance Department (or individual business units as necessary) has been assigned ownership as the document owner of each item included in the Documentation Inventory.

As part of the written implementation plans, a proposed timeframe has been identified for each item on the Documentation Inventory, recognizing that document owners will need the flexibility to adjust schedules and prioritize items which mitigate the greatest risks and are responsive to regulatory developments.

E. THE BUSINESS STANDARDS COMMITTEE EFFORTS IN PERSPECTIVE

In every case, we expect to verify when the implementation, training initiatives and documentation updates relating to the Business Standards Committee effort are complete. However, the critical, long term question is whether implementation of the recommendations as a whole has had a meaningful and sustained impact on our business standards and culture, particularly with respect to client service and reputational excellence. Looked at in that light, the ultimate success of the Business Standards Committee effort will need to be judged over an extended period of time through a combination of self-evaluation and feedback from our clients and our other stakeholders.

Membership

Board Committee Overseeing the BSC

William W. George, Chair
Professor of Management Practice at Harvard Business School and Former Chairman & Chief Executive Officer at Medtronic

James J. Schiro
Former Chief Executive Officer of Zurich Financial Services

Lois D. Juliber
Former Vice Chairman and Chief Operating Officer, the Colgate-Palmolive Company

H. Lee Scott, Jr.
Chairman of the Executive Committee of the Board of Directors, Wal-Mart Stores, Inc.

Business Standards Committee

E. Gerald Corrigan, Co-chair
Managing Director, Executive Office

J. Michael Evans, Co-chair
Vice Chairman of Goldman Sachs, Chairman of Goldman Sachs Asia

Alan M. Cohen
Global Head of Compliance

Gwen R. Libstag
Head of the Firmwide Business Selection and Conflicts Clearance Group

Edith W. Cooper
Global Head of Human Capital Management

Timothy J. O'Neill
Co-Head of the Investment Management Division

Michael D. Daffey
Global Head of Equities Sales and Securities Distribution Europe

John F. W. Rogers (ex officio)
Chief of Staff and secretary to the Board of Directors

Edward C. Forst
Co-Head of the Investment Management Division

Harvey M. Schwartz
Global Co-Head of the Securities Division

Richard J. Gnodde
Co-CEO of Goldman Sachs International

Sarah E. Smith
Controller and Chief Accounting Officer

David B. Heller
Global Co-Head of the Securities Division

David M. Solomon
Co-Head of the Investment Banking Division

Kevin W. Kennedy
Head of Latin America

John S. Weinberg
Vice Chairman of Goldman Sachs, Co-Head of the Investment Banking Division

Honorable Arthur Levitt, Jr.
Senior Advisor to Goldman Sachs and Former Chairman of SEC

Matthew Westerman
Global Head of Equity Capital Markets

Of Counsel: David J. Greenwald, Esq.
Deputy General Counsel and International General Counsel

COO: Jeffrey W. Schroeder
Chief Administrative Officer

H. Rodgin Cohen, Esq.
Senior Chairman, Sullivan & Cromwell
Outside Counsel

EXHIBIT C -

Business Standards Committee Impact Report

May 2013

GoldmanSachs.com/BSCImpactReport

The Goldman Sachs Business Principles

Our clients' interests always come first.
Our experience shows that if we serve our clients well, our own success will follow.

Our assets are our people, capital and reputation.
If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.

Our goal is to provide superior returns to our shareholders.
Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders.

We take great pride in the professional quality of our work.
We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.

We stress creativity and imagination in everything we do.
While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

We make an unusual effort to identify and recruit the very best person for every job.
Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.

We offer our people the opportunity to move ahead more rapidly than is possible at most other places.
Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our men and women must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be.

We stress teamwork in everything we do.
While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.

The dedication of our people to the firm and the intense effort they give their jobs are greater than one finds in most other organizations. We think that this is an important part of our success.

We consider our size an asset that we try hard to preserve.
We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.

We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs.
We know that the world of finance will not stand still and that complacency can lead to extinction.

We regularly receive confidential information as part of our normal client relationships.
To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.

Our business is highly competitive, and we aggressively seek to expand our client relationships.
However, we must always be fair competitors and must never denigrate other firms.

Integrity and honesty are at the heart of our business.
We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

INTRODUCTION

Nearly five years since the onset of the financial crisis, the public continues to ask if anything has changed at large financial institutions to strengthen business standards and practices.

Certainly, the financial system is safer and more resilient. Financial institutions hold significantly more capital and they have materially reduced their holdings of illiquid assets and their gross leverage. Important regulatory reforms are being implemented with respect to capital, liquidity, recovery and resolution and other areas.

But, amid these changes, many in the public worry about whether financial institutions have reviewed and made improvements in how they conduct themselves, communicate and manage their responsibilities to their clients and fulfill their obligations to the health of the financial system.

This report represents our priority and continuing commitment to communicate with our clients, shareholders, other stakeholders, regulators and the broader public about the changes we have made – and continue to make – and their impact in making us a better firm.

In May 2010, our Chairman and Chief Executive Officer, Lloyd Blankfein, announced the creation of the Business Standards Committee (BSC) to conduct an extensive review of our business standards and practices. The mandate of the BSC was to ensure that the firm's business standards and practices are of the highest quality; that they meet or exceed the expectations of our clients, other stakeholders and regulators; and that they contribute to overall financial stability and economic opportunity. The BSC operated with oversight by our Board of Directors, which established a four-member Board Committee to provide additional focus and guidance. In addition, the firm engaged two consulting firms to provide independent advice to the BSC.

The BSC identified six important areas for detailed examination based on the events and developments in recent years. A separate working group was established for each area to conduct a comprehensive review and to make recommendations for change. The six working groups and their areas of focus were:

- Client Relationships and Responsibilities. We examined the responsibilities we have to our clients, their expectations of the firm, the different roles we may play to accomplish our clients' objectives and how the firm communicates with them. We identified actions that would further strengthen our focus on clients and long-term relationships.
- Conflicts of Interest. We examined our approach to conflicts that arise in our business and how we could strengthen our procedures for resolving them. We reviewed the various ways in which our role in serving one client may intersect with our role in serving other clients or with the firm's own interests.
- Structured Products. We examined how to improve the process for identifying structured products that should be subject to heightened review. We focused on strengthening our processes for evaluating and approving these products and their suitability for clients, as well as strengthening our pre- and post-transaction sales practices, and product origination, underwriting and disclosure standards.
- Transparency and Disclosure. We examined how to improve the firm's financial reporting and enhance disclosure of business mix, risk management, balance sheet composition and liquidity. In particular, we explored how to explain our activities more clearly, especially as they relate to our performance and our commitment to serve clients.
- Committee Governance. We reviewed the governance, standards and practices of our firmwide operating committees to ensure their focus on client service, business standards and practices and reputational risk management. In particular, we found ways to strengthen accountability, compliance and internal control standards.
- Training and Professional Development. We examined how to ensure that our training and professional development, including our annual performance review process and rewards, enhanced our culture and strengthened the values of client service as well as appropriate behavior and personal accountability.

In January 2011, we published the Report of the Business Standards Committee, which was the culmination of an extensive eight-month review encompassing every major business, region and activity of the firm. The report made 39 recommendations for change in the above areas. In January 2011, we established the BSC Implementation Oversight Group, which for the next two years was responsible for overseeing the implementation of each recommendation. By February 2013, all 39 BSC recommendations had been fully implemented. We include a description of each recommendation and select highlights of the resulting changes in the Appendix.

The three-year BSC initiative was the most extensive review of the firm's business standards and practices in the firm's 144 year history. The effort was led by Lloyd Blankfein and our global leadership team of approximately 450 partners and 1,900 managing directors. It represented tens of thousands of hours of discussion, analysis, planning, execution, and, importantly, training and professional development which, alone, totaled approximately 100,000 hours. The BSC held 17 formal committee meetings. The Board Committee overseeing the BSC met 13 times. The BSC Implementation Oversight Group held 11 meetings and made five presentations to the Board of Directors. It also met three times with a separate subcommittee of the Board's Corporate Governance and Nominating Committee which provided ongoing oversight of the BSC implementation. Throughout this three year process, we regularly updated our regulators on the progress of our work, meeting with them more than 20 times.

This report discusses the changes we made as a result of the BSC implementation and how they impacted our firm. We identified three unifying themes across the 39 BSC recommendations which capture the areas of greatest change and impact on the firm: (1) **clients**, and the higher standard of care we apply in serving them; (2) **reputational sensitivity and awareness**, and its importance in everything we do**;** and (3) the individual and collective **accountability** of our people. We have structured this report around these three themes.

A Higher Standard of Client Care

We have elevated our standard of client care through a renewed focus on client service, long-term client relationships and communication with our clients, and through greater individual accountability for clients and their interests. We established the Firmwide Client and Business Standards Committee and changed our committee governance structure and committee missions to ensure that clients are at the very center of our decision-making. Each revenue division and region within the firm established a divisional or regional Client and Business Standards Committee, respectively, and undertook important steps to better facilitate communication with our clients about our different roles and responsibilities. We enhanced our suitability framework to help us better assess whether our clients have the background, experience and capacity to understand the range of outcomes from transactions they execute with us, particularly those transactions that are strategic or complex. We also increased the emphasis on individual accountability for clients in our annual employee performance review process and, for senior client relationship professionals, in compensation determinations.

Greater Reputational Sensitivity and Awareness

We now have a more systematic, integrated and comprehensive firmwide framework for reputational risk monitoring and management. Our major transaction review committees, including the newly created Firmwide Suitability Committee and Firmwide New Activity Committee, are applying more thorough and comprehensive standards for transaction approvals, particularly for those transactions that present reputational risk. We developed a consistent framework of disclosure, documentation and control standards for underwriting activities, private placements and other origination activities. We also strengthened our business standards through a substantially modified set of conflicts policies and procedures. We introduced new pre-transaction sales practices to ensure heightened due diligence before a transaction is executed. For post-transaction sales practices, we developed the capability to analyze the performance of our clients' derivatives transactions, enabling our client relationship professionals and their managers to engage with clients as appropriate about the performance of these transactions. We also changed our annual employee performance review and rewards processes to include an assessment of reputational excellence, linking "cultural" behavior to how our people are recognized and rewarded.

A Deeper Commitment to Individual and Collective Accountability

Our Chairman and CEO communicated a direct message to our senior leaders and all employees about the requirement for a deeper commitment to individual and collective accountability. Lloyd's leadership of the Chairman's Forum has been a critical part of that communication effort. The Chairman's Forum comprised 23, three-hour sessions with Lloyd and groups of our partners and managing directors. It featured a case study and a highly interactive discussion of how we conduct ourselves in serving our clients and protecting the firm's reputation. In an important way, the Chairman's Forum spoke to all of the BSC's 39 recommendations and served as a powerful tool for leadership development.

We also strengthened our Code of Business Conduct and Ethics and made changes to our employee review process that reinforce the importance that the firm is placing on individual and collective accountability.

Defining the Impact of the BSC

The balance of this report focuses on a more detailed discussion of the changes we made and the impact these changes are having on our firm. Most significantly, for all our employees, the experience of initiating, approving and executing a transaction for a client at Goldman Sachs is now fundamentally different. This difference reflects significant changes to processes, business standards, documentation and transaction approvals, all of which impact our approach to decision-making.

Process matters and the BSC changes have led to our processes being more clear, comprehensive and consistent. Business standards reflect the heightened scrutiny we bring to our own actions and activities, the role we play as a large financial institution and the responsibilities we have to our clients and to global financial intermediation. Documentation supporting our processes is more standardized and organized around escalation procedures. Transaction approvals focus on the core goals of serving our clients' long-term interests and protecting the firm's reputation. Taken together, these changes result in better judgments and decision-making, which are among the most important impacts emerging from the work of the BSC.

Sustaining the Impact and Spirit of the BSC

The work underlying the BSC is part of a much larger, ongoing commitment by the firm to be self-aware, to be open to change and to learn the right lessons from recent experiences. Going forward, we know we will inevitably make mistakes, but we commit to learn from them and respond in a way that meets the high expectations of our clients, shareholders, other stakeholders, regulators and the broader public.

As a global financial institution, we recognize that among our responsibilities we have to serve clients first and be as focused on reputational risk as we are on financial risk. We know that while formal processes and rules are very important, they alone cannot substitute for sound judgment and experience and an environment in which every person in the firm feels equally accountable for the firm's reputation.

This approach is embedded in the firm's Business Principles and has been fundamental to our culture for many decades. The attributes of this culture are the foundation on which to sustain the spirit and the impact of the BSC's recommendations to meet the long-term needs of our clients and to continually improve as a financial institution.

BSC IMPLEMENTATION AND ITS IMPACT

A HIGHER STANDARD OF CLIENT CARE

One of the most important changes resulting from the BSC recommendations was our commitment to apply a higher standard of client care, including through: (1) enhanced committee decision-making and the role of the Firmwide Client and Business Standards Committee, (2) describing and communicating our role-specific client responsibilities, (3) enhanced suitability standards and (4) improved client communication.

Putting Clients at the Center of our Decision-Making: The Role of the Firmwide CBSC

The BSC created the Firmwide Client and Business Standards Committee (CBSC) in January 2011 which places clients at the center of the firm's decision-making. The mission of the CBSC is to address the interrelationship between client service, business standards and practices and reputational risk management. The committee is chaired by our President and Chief Operating Officer, Gary Cohn, and its membership currently consists of 20 partners, 14 of whom are on the firm's Management Committee, and one senior director. Committee membership includes representatives from both our client-facing divisions and control functions. The CBSC and the Firmwide Risk Committee are the only two committees involved in the management of the firm that report directly to the firm's Management Committee.

The CBSC provides a forum for our most senior leaders to regularly evaluate the status of our client franchise. At the outset of each CBSC meeting, time is set aside when members are encouraged to raise issues for discussion without a formal agenda. This spontaneity allows for open discussion of current client activities and issues, business practices, reputational matters and topical issues in the financial services industry. Topics discussed at the outset of the meetings often result in follow-up work and presentations to the CBSC or the divisional and regional Client and Business Standards Committees.

Presentations are made to the CBSC over the course of the year by our major business units and key control functions. These presentations provide an overview of our financial performance, assess the status of our client franchise and include a forward looking assessment of "top risks" and our efforts to mitigate them. The "top risks" assessment is valuable to the committee and ensures that potential areas of reputational risk are highlighted for senior leadership in a timely fashion. Importantly, by requiring business units to engage in the discipline of preparing "top risks" assessments, the committee ensures that reputational risk remains at the forefront of business leaders' thinking. "Top risks" reviews regularly result in enhancements to our business standards, policies, practices and procedures.

The table below contains a representative list of the "top risks" cited by business units in their recent presentations to the CBSC. Each example is typically accompanied by a discussion of our efforts to mitigate these risks and the impact they could have on our clients and the firm's reputation.

Examples of CBSC Top Risks Identified by Business Units	
Anti-Money Laundering	Multiple GS Roles
Business Selection	Regulatory Reform Implementation
Due Diligence and Disclosure	Safeguarding Client Assets
Electronic Trading	Structured Products
Information Barriers	Suitability

While "top risks" for various business units and control functions change over time, there are some common themes. For example, the uncertain impact of regulatory reform on both our clients and the firm currently is a consistent theme across our businesses. The integrity of our information barriers and the safeguarding of confidential information is another important area of discussion. Suitability will always be an important area of focus for us as will conflicts and business selection.

Other "top risks" are more specific to each business. For example, there have been significant issues in electronic trading in our industry, and controls on automated trading are a focus for our Securities Division. IBD has been closely evaluating the business it conducts with sovereigns, governments and municipalities and the specific risks that may arise from this business, including reputational risk. Our Investment Management Division (IMD) has been concentrating on new regulations and requirements related to suitability, many of which impact a broader range of clients than in the past and call for enhancements to disclosure, documentation and controls.

The CBSC receives weekly updates on the status of the Goldman Sachs client franchise, including performance metrics and information on business opportunities and changes in the client base. Virtually all of the agenda items include an aspect of our client franchise, reputational risk monitoring and management, or both. The committee also oversees the firmwide approach to obtaining client feedback through surveys and other methods.

Divisional and regional CBSCs were created by the BSC to support the firmwide CBSC. They ensure that major issues impacting divisions and regions, including client concerns, reputational issues and industry developments, are discussed broadly among divisional and regional leaders in a timely manner. They regularly review reputational risk issues, including matters escalated from other committees. Divisional and regional CBSCs are effective in ensuring a coordinated and sustained focus on the client franchise, reputational risk as well as reinforcing individual and collective accountability for clients.

Describing and Communicating the Different Roles We Play

Goldman Sachs acts in many different roles across our various businesses, including as advisor, fiduciary, market maker and underwriter. Clients often expect us to act in multiple capacities simultaneously as part of our relationship with them. Depending on the role we play, our specific client responsibilities differ. For example, our responsibilities as a market maker are quite different from our responsibilities as an investment banking advisor or our fiduciary responsibilities when acting as an investment manager.

The BSC created and implemented a framework for role-specific client responsibilities to improve communication with our clients. For example, our Investment Banking Division (IBD) enhanced its client engagement letters for advisory assignments by including a plain language description of the firm's activities in other divisions and how those activities may be relevant to our clients and to the transactions on which IBD is advising. We also sent a client relationship letter to all clients of our private wealth management (PWM) business globally that describes our responsibilities to them when we act as an advisor or as a broker and describes how we are compensated and the potential for conflicts of interest. Within Goldman Sachs Asset Management (GSAM), our portfolio managers discussed roles and responsibilities with their clients during portfolio reviews and client onboarding meetings.

We delivered an extensive global training program to more than 6,000 of our client-facing professionals across divisions. The program improved their understanding of our role-specific client responsibilities and the need for clear communication to our clients about the role we are playing and the responsibilities we are assuming in particular transactions. The interactive training sessions involved customized workshops using case studies and were facilitated by senior leadership.

In the Securities Division, training was initiated with a series of 11 senior leadership workshops delivered globally to Securities Division partners and managing directors. In each session, team members focused on addressing client concerns and clarifying our different roles and responsibilities. This was followed by 68 client relationship workshops globally for vice presidents and associates led by senior leaders from the division. Following each workshop, sales and trading desk heads identified and committed to action items that would further strengthen client relationships.

In IBD, client relationship master classes for partners, managing directors and vice presidents were delivered globally by senior IBD leaders. In IMD, we conducted training on roles and responsibilities in sessions led by IMD's senior leaders. Additionally, client-facing personnel in IMD participated in a series of one and a half day workshops focused on maximizing client engagement and building trust.

All role-specific client responsibilities training programs emphasized the importance of clear and candid communication with clients, particularly on more complex and subtle issues. Employee feedback on this training referenced the effectiveness of the case studies in drawing out discussion and observations about actual client situations. To sustain the impact, we have added the key elements of these programs to our ongoing training curriculum.

Enhanced Approach to Client Suitability

The standard of care and judgment we apply in assessing client, product and transaction suitability has been strengthened to better serve our clients' interests.

The BSC established the Firmwide Suitability Committee in February 2011. The committee (which replaced the regional suitability committees) acts as a central point of escalation and decision-making for suitability judgments across businesses and other firmwide committees. Having a single committee set standards for client, product and transactional suitability across the firm has been an important improvement, allowing us to promote consistency in how we make suitability determinations. In addition, internal discussions and dialogue with clients around suitability has increased. For certain clients, this has resulted in adjustments to the types of business we transact with them, and in some cases has prevented us from pursuing transactions which clients wanted to execute.

A significant change resulting from the BSC was the classification of our clients into three segments: professional investors, other institutional accounts and high net worth accounts. Segmenting our clients this way allows us to assess important differences in client sophistication and product and transaction suitability and to focus on the particular circumstances of individual clients.

We created new automated suitability tools, including a transaction class matrix (TCM). The TCM, which is used within our Securities Division and the Financing Group in IBD, is populated with the types of transactions that a client is pre-approved to transact from a suitability perspective. Our client relationship professionals have created over 21,000 TCMs for clients with input from their managers and compliance personnel. To reinforce salesperson accountability, we introduced a trigger which highlights for escalation any transaction that is not covered by the client's TCM.

Our PWM business also introduced key enhancements to its suitability framework. PWM revised its investment objective choices to cover a broader range of client return objectives and risk appetites. The new investment objectives are accompanied by plain language descriptions, including of associated portfolio composition and risk implications. PWM also completed a two-year project to increase the information it obtains about each client's financial position, portfolio goals, risk tolerance and investment knowledge and experience. PWM uses this information to develop suitable advice and recommendations for clients.

The BSC identified two broad categories of transactions which are sufficiently large, important and/or complex that require heightened oversight and approval. The first category is strategic transactions, which are often characterized by several of the following traits: (1) losses or gains from the transaction could reasonably be expected to materially impact the client's financial position or have an adverse reputational impact on the firm; (2) the transaction is likely to have a material impact on the market; (3) the transaction requires the approval of the client's Chief Financial Officer, Chief Executive or its Board of Directors; (4) the transaction hedges a material acquisition, disposition or other similar transaction by the client, and the hedge itself is material; (5) the transaction requires separate disclosure in the client's financial statements or will otherwise be disclosed through a public filing; or (6) the transaction represents a large financial commitment by the client.

Strategic transactions are subject to review and approval by the Firmwide Suitability Committee or its designees and by divisional compliance even if the transaction is being entered into with a professional investor. Many different types of transactions qualify as strategic. For example, a strategic transaction could take the form of a corporate client entering into a call spread transaction with us in connection with the issuance of convertible bonds that convert into a significant percentage of its outstanding shares. Under the call spread transaction, the client buys a call option on its shares at the conversion price of the convertible bond and sells us warrants to purchase its shares at a higher price. This transaction effectively increases the conversion price of the shares underlying the convertible bond and decreases the equity dilution.

Complex products are the second category of transaction that is subject to heightened oversight and approval. While there is no standard definition of a complex product, the financial and reputational risk factors associated with these instruments may include: (1) non-linear or leveraged payouts (including embedded leverage); (2) illiquidity; (3) lack of price transparency; and (4) the potential for losses in excess of initial investment. In addition, we consider highly correlated relationships between different elements of the transaction or seemingly unrelated classes of complex financial products. The Firmwide Suitability Committee acts in collaboration with other committees (including the Firmwide New Activity Committee) as part of the review and approval process for complex transactions as described in greater detail later in this report.

An example of a complex product would be an investment that bundles high yielding assets and attaches a currency overlay. The Firmwide Suitability Committee approved this type of investment for sale in a single market, but it required special disclosure of the risks of investing in the product and limited the distributors to those with whom we were most comfortable.

We trained over 2,000 client-facing professionals globally on our new approach to client segmentation and related suitability requirements, underscoring how far-reaching these changes have been across the firm. As part of this training, client-facing professionals were reminded of their responsibility to identify transactions subject to heightened review and engage with clients as appropriate throughout the lifecycle of transactions.

To illustrate the scope of change and impact of the BSC recommendations with respect to suitability, we have detailed the lifecycle of a client transaction in the online materials that accompany this report. The lifecycle depicts the ways in which the transaction is impacted by the many new practices and procedures we implemented. In the example, we follow the process of a hypothetical, existing client of our Securities Division who expresses an interest in executing a type of transaction which the client has not executed with the firm before. The client relationship person initiates a formal suitability assessment, based on our new suitability framework, by entering information regarding the new transaction into the client's TCM.

Depending on the client's experience level and the complexity of the product, further review may be required from the client relationship professional's manager and compliance (e.g., a client would like to enter into a more complex derivative for the first time with Goldman Sachs), or the client may be approved to transact immediately (e.g., a client with a long-established trading history wants to execute an over the counter equity product that is less complex than those it has executed with Goldman Sachs before).

Once a product is approved and executed, we have the capability to analyze the performance of the client's derivative transaction, enabling the client relationship professional and his or her manager to engage with the client as appropriate about the performance of the transaction.

This example shows how an enhanced suitability framework, stronger approval processes and better documentation, disclosure and communication with our clients are contributing to better client service.

Improved Client Communication

Client communication is another important area where we have improved our standard of client care. Many of the changes outlined below respond to feedback from clients.

We trained over 8,000 professionals on the substantially modified conflicts policies created by the BSC. This training addressed the importance of clear communication with clients about conflicts and underscored the importance of informing investment banking clients about other activities the firm may continue to perform while we are acting as advisor. In addition, the training outlined various scenarios where potential conflicts might arise and how they should be addressed.

Our Business Selection and Conflict Resolution Group implemented new procedures to monitor when our IBD teams have been instructed to deliver a specific communication to clients about conflicts. This new communication management system tracks whether the required communications have been delivered by our IBD professionals. The ability to systematically track and monitor communications regarding conflicts helps us ensure that clients are receiving the information they need to make timely and informed decisions.

IMD improved client communication through several important changes. It revised its marketing materials, client onboarding documentation and client reporting documents to make them more readable and user-friendly. A key element of this effort was to ensure that important disclosures to clients were in plain language and understandable. As noted above, PWM also sent a client relationship letter addressing a range of topics to each private wealth client globally in an effort to increase communication and transparency with clients.

PWM introduced additional post-transaction analysis for the performance of structured products and improved structured note reporting and analysis. In our Securities Division, we developed the capability to analyze the performance of our clients' derivatives transactions, enabling our client relationship professionals and their managers to engage with clients as appropriate about the performance of these transactions. In both cases, the objective is to better serve our clients by providing them, as appropriate, with timely information so that they can understand how their transactions are performing and make informed decisions.

GREATER REPUTATIONAL SENSITIVITY AND AWARENESS

Strengthening reputational risk monitoring and management was one of the highest priorities of the BSC. We now have a more systematic, integrated and comprehensive firmwide framework for reputational risk monitoring and management. This is one of the most important achievements of the BSC.

Improvements in reputational risk monitoring and management have been made in four key areas: (1) more thorough and comprehensive transaction review and approval standards; (2) enhanced disclosure practices; (3) enhanced business selection and conflicts procedures; and (4) new pre- and post-transaction sales practices associated with complex products.

More Thorough and Comprehensive Transaction Review and Approval Standards

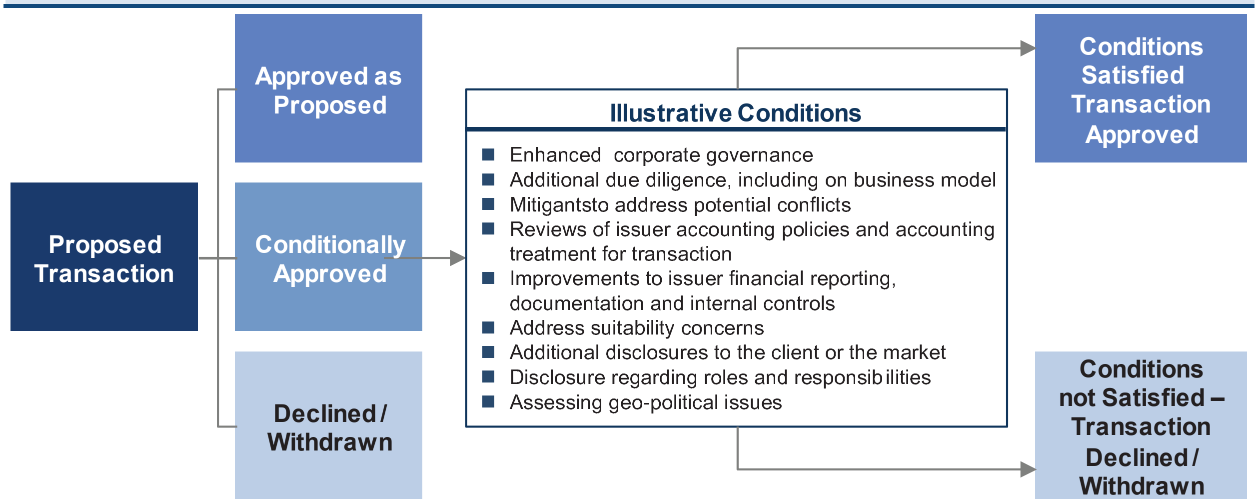
The BSC significantly strengthened the transaction review and approval standards for various classes of transactions, especially those presenting reputational risk to the firm.

This included major changes in the firm's committee governance. In addition to creating a number of new committees, we assigned formal accountability for reputational risk management to each committee involved in the management of the firm. Moreover, we codified the enhancements to our committee governance and business standards in dozens of new and revised policies and procedures.

Of particular importance was the adoption of the standard of "conditional approval." This standard is now a regular feature of the work of all committees involved in the review and approval of transactions. The conditional approval discipline represents a rigorous approach to the identification of critical issues – many of which are reputational in nature – that are seen by committees as outright barriers to approving a transaction as proposed. There are many transactions that committees approve only after important changes are made to the way the transactions were originally contemplated. During 2012, approximately two-thirds of transactions reviewed by the Firmwide Capital Committee, almost half of transactions reviewed by the Firmwide Commitments Committee and approximately one-third of transactions reviewed by the Firmwide Suitability Committee were "conditionally approved."

The exhibit below shows how the standard of "conditional approval" is applied in our committee decision-making. It includes a list of illustrative conditions which have been applied by our transaction review committees over the past year in granting conditional approvals. Satisfying these conditions involves modifying the proposed transactions from those we could have done, but should not do, to transactions that we both can and should do. Put simply, "conditional approval" is another way of saying that the transaction in question "should not" and will not be approved unless and until the conditions established by the committee are satisfied. In most cases, the conditions are eventually met to the satisfaction of the committee and the client, and the transactions are executed. In cases where the conditions are not satisfied, the transactions are not executed.

Committee Decision-Making – Application of Conditional Approval



One of the most important examples of enhanced review and approval standards is in the area of structured and complex financial instruments, some of which were a major contributing factor to the financial crisis. Professional investors generally have the background, experience and risk profile to make their own investment decisions, including for complex and structured instruments. Nevertheless, the Firmwide New Activity Committee and other committees play an important role in vetting new complex products before the firm engages in them for the first time.

As part of this review process, those committees must be satisfied that the instrument is appropriate for the markets and that the relevant risk factors associated with the instrument are adequately addressed and disclosed.

Enhanced Disclosure Practices

The BSC implemented changes that have enhanced disclosure practices and policies and improved transparency between the firm and our clients, shareholders, other stakeholders and the public at large. Enhanced disclosure has taken many forms, including a comprehensive re-casting of our business segment financial reporting that has provided greater clarity on our client franchise and the ways the firm generates revenues and profits.

More broadly, the analytical framework and standards for disclosure applied to underwritings, private placements and other origination activities have been enhanced to facilitate market efficiency and to increase the sensitivity of our employees to the risk factors – both financial and reputational – that may be associated with these activities.

The BSC recommended that certain securities underwriting activities be moved from the Securities Division to the Financing Group in IBD. We moved those underwriting activities, including sector based securities origination (e.g., credit cards, student loans) and certain emerging market debt origination, and enhanced our framework of underwriting, disclosure, documentation and control standards that applies to all underwriting activities in the firm.

The enhanced control standards for underwriting, private placements and other origination activities include: (1) greater consistency across business units in approval, control and disclosure practices; (2) updated written policies and procedures; (3) the designation of "gate keeper" personnel who are responsible for the oversight of relevant business practices; and (4) a requirement that an appropriate firmwide committee oversee these securities origination activities. The enhanced disclosure standards require offering documents to include a broader, more visible and readable discussion of risk factors including risks arising from: (1) the structure of the instrument; (2) leverage; (3) the underlying assets; and (4) the vulnerability of the offered investment to market, credit, counterparty and reputational risk factors.

Importantly, internal deliberations on underwritings, private placements and other origination activities have an increased focus on the following factors that provide context to our disclosure: (1) the impact of Goldman Sachs' other activities (e.g., market making) on the offered investment; (2) the relationship between Goldman Sachs, the issuer, and the underlying assets; (3) the different roles Goldman Sachs has in the transaction and the scope for potential conflicts; (4) any ancillary benefits the firm might receive as an outgrowth of the transaction; and (5) the involvement of third parties in the transaction.

These and other disclosure-related initiatives have strengthened our business standards and resulted in better disclosure to our clients as to the risks – both financial and reputational – that may be associated with various financial instruments.

Enhanced Business Selection and Conflicts Procedures

Successfully resolving conflicts of interest is fundamental to our client relationships, our reputation and our long term commercial success. However, successful conflict management is a complex subject, and each situation is unique and requires case by case analysis. Success depends on a comprehensive framework of process, documentation and informed judgments on the part of experienced business leaders and other firm personnel.

The task of enhancing our conflict procedures involved a number of important changes recommended by the BSC including: (1) the development and use of "plain language" in engagement letters for investment banking advisory clients that clearly describes our business model and the activities of the firm's various divisions; (2) an improved framework for documentation for investment banking clients regarding conflicts issues; (3) procedures that reduce the number of investment bankers who receive sensitive client information as part of the conflicts process; (4) meaningfully reducing the turnaround time in responding to new business inquiries from clients; (5) enhanced procedures governing the "wall crossing" of our employees; (6) integrating businesses across the firm into the conflicts process; (7) compiling updated policies and procedures regarding conflicts in each of the revenue producing divisions[1]; and (8) updated training programs on conflicts for over 8,000 employees worldwide.

Through conflicts training and the Chairman's Forum, we have reinforced the message that identifying conflicts and protecting the firm's reputation is a responsibility that is shared by all employees. When potential conflicts or other reputational issues arise, as they inevitably will, it is incumbent upon every person at the firm to identify and escalate them quickly. Often we are able to address potential conflict issues through appropriate disclosure and informed consent from our clients or through the use of other mitigants where appropriate, such as co-advisors or limiting a new role that we accept from a client.

[1] Each of the following divisions has its own divisional conflicts policy: Investment Banking Division, Securities Division, Merchant Banking Division, Realty Management Division, Investment Management Division, Goldman Sachs Bank USA and the Operations, Technology, Finance and Services divisions.

Divisional leadership and the Executive Office are acutely focused on the topic of conflicts and the implications for reputational risk. Training and the various changes we have made in the conflicts process have strengthened the dialogue with our clients and elevated our sensitivity to the reputational risks that can arise in the course of our advisory and other businesses.

New Pre- and Post-Transaction Sales Practices

In addition to financial risks, the financial crisis revealed in stark terms the reputational risks that can arise from transacting in complex financial products. A major focus of the BSC was how best to mitigate the reputational risks associated with these instruments. Through a combination of enhanced controls and new pre- and post-transaction sales practices, we developed a much stronger framework for approving the sale of complex products and mitigating the reputational risks. The complex financial products we create today are subject to a different review process than the process we had in place before the BSC.

For new complex financial products, the first question we ask is whether we should be involved in the market for this product at all. Another key question, from a reputational risk point of view, is for which client segment is the product appropriate. Through the work of the Firmwide New Activity Committee and the firm's other transaction review committees, all new activities and products (including complex financial products) undergo a thorough vetting and approval process before we engage in the activity or product for the first time. In addition to addressing the question of whether we can conduct the activity or execute the product from a legal and operational perspective, the Firmwide New Activity Committee considers whether we should engage in a new complex financial product from a reputational perspective.

We now have in place an enhanced set of pre-transaction sales practices designed to mitigate the reputational risk associated with complex financial products. We have improved our pre-transaction due diligence, disclosure and documentation procedures. These changes reinforce to our client relationship professionals the importance of carefully considering the reputational consequences of a decision to sell a complex financial product to a particular client. In addition, these changes also mitigate the risk that clients transact in unsuitable products and the negative impact this might have on our clients as well as on our reputation.

Finally, as described earlier in this report, we have developed new capabilities for monitoring transaction performance which enable our client relationship professionals and their managers to engage with clients as appropriate about the performance of certain transactions. This practice improves client service and helps mitigate the reputational risks we face when the performance of complex financial instruments result in unforeseen losses.

A DEEPER COMMITMENT TO INDIVIDUAL AND COLLECTIVE ACCOUNTABILITY

Creating a deeper commitment to individual and collective accountability has been a critical part of achieving the BSC objectives of strengthening our client relationships and reputational judgment. Through the significant BSC training and professional development effort (including the Chairman's Forum), we have engaged our employees at all levels on the importance of individual accountability as well as on our shared responsibility for our clients and for protecting the firm's reputation. Based on the employee feedback we have received, the training has been impactful. We also have adjusted the way we recognize and reward our people to reinforce their accountability for clients and the firm's reputation.

Delivering the Message

The most powerful approach to driving accountability at the firm is through tone from the top. Our Chairman and CEO sent a direct message to our employees that they are accountable for their own actions and, as importantly, the actions of those around them.

The Chairman's Forum has been a critical part of the implementation effort and a powerful opportunity in leadership training and development. Across our population of partners, managing directors and vice presidents, approximately 42,000 hours have been committed to the Chairman's Forum program.

The Chairman's Forum was conducted for all of the firm's partners and managing directors in 23 sessions globally from June 2011 to April 2012. Lloyd Blankfein led all of the sessions in person and devoted more time to this initiative than any other in 2011 and early 2012. Each three-hour session included a brief documentary about the culture of the firm and extensive remarks by Lloyd, followed by a question and answer session with him. In his remarks, Lloyd focused on key lessons learned from the financial crisis as well as the personal accountability required of every employee at Goldman Sachs to protect and enhance the reputation of the firm.

Ninety minutes of each Chairman's Forum was focused on a filmed case study set in a hypothetical, but realistic set of complex situations in a stressed market environment. The case study highlights issues that are not easily resolved and that require escalation and judgment; it also highlights how we interact with clients. Members of the Management Committee led a highly interactive discussion of the case study that explored how individual behavior and decisions can have significant and unintended consequences on the firm, our clients and our reputation, particularly in the context of issues and questions for which there are rarely obvious answers. Feedback from our partners and managing directors indicates that the Chairman's Forum has successfully reinforced messages about personal accountability, client service and reputational risk management.

The Chairman's Forum for vice presidents was launched in June 2012 and includes 69 sessions to be held in 20 cities for approximately 12,000 vice presidents. The program has reached more than 6,000 vice presidents to date and will be completed by the end of 2013. Senior participation in the program is an important component of making the Chairman's Forum a high impact event for all vice presidents. Each three-hour session is hosted by a member of the firm's Partnership Committee or Regional Management Committees and includes a brief documentary about the culture of the firm and filmed remarks by Lloyd Blankfein, including highlights of Lloyd's presentations during the Chairman's Forum for managing directors. The vice president program also includes a 90-minute case study, which is a modified version of the case study used for the managing directors. The final 30 minutes are conducted by a member of the firm's Management Committee whose remarks emphasize the importance of weighing reputational risk when interacting with clients and making difficult business decisions. These remarks also summarize the points made in the case study discussion, highlighting to vice presidents that they are personally accountable for protecting the firm's reputation in every decision, action and client communication.

Reinforcing the Message

We reinforce our expectations for employee behavior in the way we evaluate their performance and recognize and reward them.

As a result of the BSC implementation, we now assess reputational excellence as part of our annual performance review process. Beginning in 2011, reviewers of all professionals were asked to rate reviewees on reputational excellence based on prescribed criteria.[2] In addition, reviewers are asked to comment on how the reviewee exhibits reputational excellence by demonstrating commitment to the BSC recommendations, exercising good risk management

[2] In relation to reputational excellence and risk management, the reviewer was asked to assess whether the reviewee: (i) balances risk and reward when making decisions; (ii) adheres to the firm's risk management practices and controls; (iii) identifies and escalates areas of control risk both within his/her team(s) and teams impacted by his/her work; (iv) engages all relevant parties in decision making; (v) treats clients' information and activities with sensitivity and protects the firm from breaches of confidentiality; (vi) contributes to the development of sound risk policies, controls and infrastructure; and (vii) knows applicable policies and procedures. In relation to reputational excellence and reputational judgment and compliance, the reviewer was asked to assess whether the reviewee: (i) protects and enhances the reputation of the firm; (ii) knows applicable laws, policies and procedures; (iii) recognizes, escalates and proactively seeks guidance on issues; and (iv) contributes to the development and/or implementation of policies, procedures and controls.

and reputational judgment and adhering to the firm's Code of Business Conduct and Ethics (Code of Conduct) and compliance policies.

The BSC also recommended increasing the emphasis on client focus in our annual performance review process. Now, as part of the review questionnaire for all professionals, reviewers are asked to rate the reviewee with regard to their focus on trust, transparency and long-term orientation in connection with client relationships.[3] These changes have reinforced four key messages to all of our employees regarding (1) the importance of serving our clients, (2) the importance of protecting the firm's reputation and upholding our culture and values, (3) the link between "cultural" behavior and how people are recognized and rewarded in our organization and (4) individual and collective accountability.

Accountability for clients is one of the factors considered in compensation determinations for client relationship professionals. For example, senior bankers in IBD are required to prepare client relationship summaries that are considered in compensation determinations. Leadership, culture and values (including client focus) have also been reemphasized as part of the criteria for evaluating candidates for promotion to partner and managing director. Our promotion process is intense and involves interviewing those at the same level of seniority as the position for which the candidate is being interviewed. The guidelines for both the interviewers and the interviewees were revised to emphasize that candidates must be evaluated in greater detail on their demonstration of client focus and their commitment to reputational excellence (risk management, reputational judgment and compliance).

These changes have impacted our decisions about compensation and who we reward. Moreover, our review and reward processes more powerfully communicate and reinforce to our professionals the need to focus on our clients and our reputation and to always act in accordance with the highest standards of the firm.

We also strengthened our Code of Conduct to highlight the need for every employee to act not only in accordance with all applicable laws, rules and regulations, but also with the highest ethical standards. We provided training to all of our employees on our enhanced Code of Conduct and required them to certify that they will comply with it.

[3] The client focus criteria asks the reviewer to assess whether the reviewee: (i) creates an environment where clients' long-term interests come first and focuses beyond immediate commercial impact; (ii) encourages team members to escalate client issues; (iii) builds and reinforces a culture that solidifies strong client relationships and trust; (iv) partners with clients to understand their needs and develops strategies to achieve them; (v) is transparent and makes sure the client understands the firm's role and responsibilities; and (vi) manages clients' expectations effectively and follows up to ensure clients are satisfied.

Sustaining the Impact and Spirit of the BSC

We are continuing to evaluate our progress in achieving the BSC objectives. While some of what we have done can be measured, many aspects of our business standards and culture are not easily measured or quantified.

We recognized from the beginning that the full impact of the BSC would need to be judged over an extended period. Accordingly, we expect that the changes we have made will become increasingly visible to our clients, shareholders, other stakeholders, regulators and the broader public over time.

With the implementation of all 39 recommendations, we concluded the work of the BSC Implementation Oversight Group; however, the need to monitor the changes associated with the BSC will continue. Our Board of Directors established a special subcommittee of its Corporate Governance and Nominating Committee to reinforce a priority of our senior management: the continuous improvement of our business standards and practices.

Many of the standards emanating from the BSC will evolve and adapt as markets, technology and regulation evolve and adapt. However, given the commitment of our firm to both the letter and spirit of the BSC, any adjustments will always be in the direction of our responsibility to serve our clients' long-term interests, protect the firm's reputation and accept our individual and collective accountability for doing so. These goals are the foundation of our Business Principles and have been at the core of our culture for more than 140 years; they must remain so if Goldman Sachs is to be relevant and effective for our clients and the financial system.

APPENDIX

Description of the BSC Recommendations and Select Highlights

This Appendix briefly describes each of the 39 Business Standards Committee recommendations and select highlights of the changes we made as part of the implementation effort. Please refer to the original Report of the Business Standards Committee for a more detailed discussion of the 39 recommendations and the areas for change contemplated by the Business Standards Committee. The report can be accessed on our website at **http://www.goldmansachs.com/who-we-are/business-standards/committee-report/business-standards-committee-report-pdf.pdf**.

Recommendation	Description	Select Highlights
	Client Relationships and Responsibilities	
1.	Reemphasize client service values	• Client-facing professionals participated in training that focused on client service values
2.	Implement framework for role-specific client responsibilities	• Revenue divisions designed and implemented an approach for communicating about our roles and responsibilities to clients • Client-facing professionals participated in training that focused on roles and responsibilities
3.	Increase emphasis on client service / relationships in annual performance review and incentive processes	• Performance review process was updated to increase focus on clients • Client franchise metrics a factor in compensation decisions for certain senior client relationship professionals
4.	CBSC to design and implement a comprehensive program to strengthen client interactions and relationships	• Regular reporting to CBSC on the state of the client franchise (including performance metrics and current client activities and issues, business practices, reputational matters and topical industry issues) • CBSC overseeing ongoing approach to obtaining client feedback
5.	Implement training / development program on firm's Business Principles, client service values and role-specific client responsibilities	• Client-facing professionals participated in training that focused on client service values, the firm's Business Principles and our role-specific client responsibilities • Additional culture and client focus content included in orientation and promotion programs

Recommen-dation	Description	Select Highlights
6.	Design / execute communication program to introduce BSC recommendations to clients	• Rolled out multiple BSC communications to clients, other key stakeholders and regulators
	Conflicts of Interest	
7.	Enhanced Wall Cross Approval Process	• Implemented strengthened wall cross procedures; training provided to relevant personnel • Enhanced surveillance of information barriers
8.	Moved Certain Underwriting and Origination Activities	• Moved certain securities origination functions from the Securities Division to the Financing Group in IBD • Strengthened policies and procedures to achieve consistency of standards related to securities origination, including oversight, disclosure, documentation, due diligence and controls, and conducted training for relevant personnel
9.	Supplement Written Communication Restrictions During Underwriting and Advisory Assignments	• Updated our Restricted Trading List (RTL) code and revised our guidelines for communications regarding RTL securities; conducted training for relevant personnel • Established a new system for compliance personnel to monitor select written sales communications
10.	Enhanced Financing Policies and Procedures	• Instituted requirement to obtain senior management approval before firm acts as sole financing source in certain situations involving firm-related funds • Instituted enhanced review process for financing requests from bidders where firm-related funds are also bidding • Instituted a process requiring review and approval from senior management before providing staple financing for the sale of public companies • Introduced heightened review of underwriting for an issuer where the firm or its affiliates have a material interest as shareholder or creditor
11.	Integration of Certain Businesses into Conflicts Process	• Reviewed and amended certain policies in relevant IMD businesses
12.	Comprehensive Conflicts–Related Policies and Procedures	• Substantially modified our divisional business selection and conflicts policies • Created a compilation of business selection and conflicts policies, procedures and best practices

Recommen-dation	Description	Select Highlights
13.	Conflicts Resolution – Plain Language	• In collaboration with the Business Selection and Conflicts Resolution Group, IBD updated its advisory engagement letters to include a plain language summary of the firm's various businesses and how they will operate during advisory assignment • Training provided to client-facing professionals on the importance of clear and candid communication about conflicts
14.	Training and Professional Development Related to Conflicts Resolution	• Training provided to client-facing professionals on our substantially modified divisional business selection and conflicts policies
	Structured Products	
15.	Identifying Designated Structured Transactions	• Updated Structured Products Committee charter reflects its responsibility for oversight and approval of Designated Structured Transactions
16.	Identifying Strategic Transactions	• Updated divisional suitability policies and procedures to establish criteria for identifying, reviewing and approving strategic transactions
17.	Identifying Complex Transactions	• Updated divisional suitability policies and procedures to establish criteria for identifying, reviewing and approving complex transactions
18.	Redefine the firm's approach to segmenting clients for suitability purposes	• Updated divisional suitability policies and procedures to reflect new client segmentation: professional investors, other institutional accounts and high net worth clients • New client segmentation drives suitability analysis and required review and approval
19.	Enhancements to Pre-Transaction Sales Practices	• Enhanced tools, workflows and procedures related to sales practices and suitability requirements • Completed over 21,000 Transaction Class Matrices for IBD and Securities Division clients globally • Identified a relationship contact person for each over-the-counter derivative transaction of clients in our Securities Division
20.	Post- Transaction Sales Practices	• Developed the capability to analyze the performance of certain clients' derivatives transactions, enabling our client relationship professionals and their managers to engage with clients as appropriate about the performance of these transactions
21.	Origination Standards	• Strengthened policies and procedures to achieve consistency of standards related to securities origination, including oversight, disclosure, due diligence and controls, and conducted training for relevant personnel

Recommen-dation	Description	Select Highlights
22.	Disclosure Standards	• Implemented enhanced disclosure requirements, with a particular focus on risk factor disclosure and appropriate due diligence
23.	Development of training and professional development programs on structured products	• Training rolled out to client-facing professionals across the Securities Division, IBD and PWM on the new requirements related to structured products, including the identification of structured/complex/strategic products, client segmentation and new pre- and post- transaction sales practices
	Transparency and Disclosure	
24.	Reorganize business segments	• Reorganized our revenue reporting in our public financials from three segments into four to provide greater clarity around the importance of client franchise activities and client facilitation to our revenues. Improved the description of our businesses and more clearly articulated the drivers of our financial performance.
25.	Disclose a simplified balance sheet	• Disclosed an alternative balance sheet in our public financials that generally allocates assets to our businesses and better enables investors to assess the liquidity of our assets
26.	Enhance liquidity disclosure	• Disclosed additional information in our public filings on the mechanics and assumptions underlying our liquidity policies which better describe our robust liquidity management framework
27.	Enhance disclosure of risk management policies and practices	• Added additional information in our public filings regarding the firm's risk management structure, culture and processes, including regarding operational risk, capital adequacy and credit risk
28.	Describe in plain language business activities and reorganize financial disclosures	• Rewrote business descriptions in our public filings to better explain our business activities, our performance and how it relates to serving clients. • Reorganized financial disclosures to consolidate related topics, to remove repetitive information and to improve the overall clarity of the disclosure.
	Committee Governance	
29.	Firmwide Client and Business Standards Committee (CBSC)	• Established the Firmwide CBSC in January 2011 which puts clients and our reputation at the center of the firm's decision-making • Established Committee Operating Group (COG) to assist the Firmwide CBSC with committee oversight
30.	Divisional and Regional CBSCs	• Established 5 divisional CBSCs and 2 regional CBSCs • Ongoing reporting to Firmwide CBSC by new Divisional CBSCs and Regional CBSCs

Recommen-dation	Description	Select Highlights
31.	Suitability and New Activity	• Established the Firmwide Suitability Committee, which acts as a central point for review and approval of suitability determinations • Established the Firmwide New Activity Committee which, in addition to addressing whether we can conduct the activity from a legal and operational perspective, also considers whether we should engage from a reputational perspective.
32.	Event Reviews	• A number of event reviews have been conducted
33.	Enhancements to Committee Procedures	• COG published committee policy governing all committees involved in the management of the firm, which promulgated standardized committee charters, required committees to keep minutes and mandated uniform statements of action for transaction review committees • Over 160 committee charters brought into line with the new committee policy, including making each committee responsible for reputational risk management as part of its mandate • COG conducted two iterations of the annual committee self-assessment, mandatory for all committees involved in the management of the firm
	Training and Professional Development	
34.	Focus leadership on reinforcing the firm's culture and on strengthening client relationships and reputational excellence	• Enhanced the content of our orientation and promotion programs, including our firmwide leadership and management curriculum, to reinforce the BSC's key messages, including the importance of client relationships and reputational excellence.
35.	The Chairman's Forum	• 23 sessions of the Chairman's Forum for partners and managing directors completed • Chairman's Forum for VPs in progress
36.	Emphasize risk management and reputational judgment / compliance in annual performance review	• Annual performance review process updated to place renewed focus on reputational matters
37.	Design and implement training and professional development programs	• In addition to creating over 30 new BSC training programs, we updated our existing firmwide training curriculum to include key BSC programs and content
38.	Emphasize leadership, culture and values (LCV) in partner and managing director promotion process	• Leadership, culture and values reemphasized in partner and managing director promotion process
39.	Update and strengthen the Goldman Sachs Code of Business Conduct and Ethics	• Code of Business Conduct and Ethics updated and included on GS website • Online training program developed and rolled out to all employees

Membership

Public Responsibilities Subcommittee of the Board of Directors

William W. George, Chair
Professor of Management Practice at Harvard Business School and Former Chairman & Chief Executive Officer, Medtronic, Inc.

James J. Schiro
Lead Director of the Goldman Sachs Board and Former Chairman of the Group Management Board and Chief Executive Officer, Zurich Insurance Group Ltd.

James A. Johnson
Chairman, Johnson Capital Partners

Debora L. Spar
President of Barnard College

Business Standards Committee Implementation Oversight Group

J. Michael Evans, Chair
Vice Chairman of Goldman Sachs and Global Head of Growth Markets

E. Gerald Corrigan
Managing Director, Executive Office

David J. Greenwald
Deputy General Counsel and International General Counsel

Jeffrey W. Schroeder
Chief Administrative Officer

Alan M. Cohen
Global Head of Compliance

Sarah E. Smith
Controller and Chief Accounting Officer

Edith W. Cooper
Global Head of Human Capital Management

David M. Solomon
Co-Head of the Investment Banking Division

Jim P. Esposito
Head of the EMEA Financing Group in the Investment Banking Division

Laurence Stein
Chief Operating Officer of the Securities Division

Gavin G. O'Connor
Chief Operating Officer of the Investment Management Division

John S. Weinberg
Vice Chairman of Goldman Sachs and Co-Head of the Investment Banking Division

<u>EXHIBIT D</u> -

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<u>EXHIBIT E</u> -

Our Shared Responsibility to
Our Clients, Colleagues and Communities

Goldman Sachs

Code of Business Conduct and Ethics

To the People of Goldman Sachs:

Since our beginnings as a family business in 1869, Goldman Sachs has evolved into one of the leading companies in our industry. We have always aspired to create a workplace where talented individuals collaborate to deliver extraordinary results for our clients and, starting in 1999, our shareholders. In recent years, we have expanded that vision to reflect the value we place on diverse opinions, experiences and backgrounds, and to adapt to the changing needs of an increasingly interconnected world. Our Business Principles capture this vision, and our Code of Business Conduct and Ethics outlines the behaviors we expect of everyone at Goldman Sachs in order to achieve it.

As part of the Business Standards Committee's review, the firm has revisited our Code to ensure it reflects the highest legal and ethical standards in our industry. In tandem with our Business Principles, the Code articulates Goldman Sachs' commitment to integrity and honesty in everything we do. While no single document can address every situation, the updated Code provides clear guidance on critical issues. When facing a situation not covered by the Code, we expect our people to exercise good judgment and especially to seek guidance in resolving potential issues.

It has often been said that one person can cause more harm to Goldman Sachs from a single bad decision than good to the firm over the course of a career. As stewards of the firm's legacy and drivers of its future success, our actions each day have a profound impact. No financial incentive or opportunity—regardless of the bottom line—justifies a departure from our values. In fact, loosening our ethical standards in pursuit of business is a betrayal of our duty to clients, shareholders and colleagues and compromises everything we aspire to as a firm.

I ask each of you to review this Code of Business Conduct and Ethics as well as the Business Principles, and join me in making a personal commitment to using it to guide your work. In doing so, you protect the trust our clients place in us and uphold the moral and ethical principles that define Goldman Sachs.

Sincerely,

Lloyd C. Blankfein
Chairman and
Chief Executive Officer

Preamble to

Code of Business Conduct and Ethics

At Goldman Sachs, we believe the best way to build and to maintain trust is to conduct every element of our business according to the highest standards of integrity.

Our ability to do so rests on the behavior of those who work here, from consultants to employees to our chief executive to our directors. To that end, we select our people based not just on their skills, accomplishments and potential, but also on their principles and values. A commitment to integrity and ethical behavior is a critical factor in our decisions regarding professional advancement and compensation.

The firm maintains a Code of Business Conduct and Ethics, supplemented by both our Business Principles and compendium of internal policies, to inform and guide our people in their roles. We recognize, however, that a formal Code or policy cannot cover every situation. In a fast-paced and complex industry and an inherently innovative business, it is impossible to predict the various different unique circumstances our people will face during their careers. As such, the policies outlined in this Code should be viewed as the baseline of expected behavior at the firm.

While ethical behavior requires us to comply fully with all laws and regulations, "compliance" with the law is the minimum standard to which we hold ourselves. Those who work with us honor not just the letter of existing laws, but the spirit that underpins and informs them. We recognize that over time what is considered acceptable today may be viewed differently tomorrow. Thus, we do not look to prevailing "market practices" as an indication of appropriate behavior. We base our decisions on legal and regulatory rules, our Code, our Business Principles and our values. For the people of Goldman Sachs, ethical behavior is inseparable from integrity and good judgment.

Our franchise has evolved considerably since our founding in 1869, driven by the changing needs of a global world and an increasingly sophisticated and diverse client base. The scope of our business means that delivering outstanding client service may at times generate real or perceived conflicts for the firm. We are committed to addressing such conflicts with all appropriate disclosure and transparency. If a transaction generates a conflict that cannot be addressed, we would prefer to lose the business than to abandon our principles.

Every person at Goldman Sachs is a steward to our heritage of client service and our reputation as an ethical company. Our success has been and will continue to be dependent on the trust that our clients and shareholders place in us. Everything we do—every piece of advice we give, every transaction we execute, every dollar we manage, every interaction in which we take part—must serve to strengthen that trust.

Code of Business Conduct and Ethics

Application of the Code

The Goldman Sachs Code of Business Conduct and Ethics embodies the firm's commitment to conduct our business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. The Code applies to all of our people, including members of our Board of Directors.

The Goldman Sachs Business Principles and Compendium of Firmwide Compliance Policies

In addition to the Code, you should read and be familiar with our Business Principles and the portions of the Compendium that apply to you depending on your business, position and geographic location. The Compendium, posted on the firm's internal website, includes detailed policies and procedures to guide you in adhering to the letter and the spirit of all applicable laws, rules and regulations.

Reporting Issues under the Code

It is critical that you strive to identify and escalate potential issues before they lead to problems. When in doubt, you should ask questions about the potential application of this Code.

There are a number of ethics contacts available to provide guidance in this regard. In many cases, an immediate supervisor (or his or her supervisor) and a member of the Global Compliance Division or Legal Department supporting your business or area will be your first contacts. Should you become aware of any existing or potential violation of this Code, promptly notify one of these individuals. The escalation policy in the Compendium provides further information on internal and alternate reporting channels.

Non-Retaliation Policy

Our people play a critical role in safeguarding the integrity of our business and escalating any existing or potential breach of that integrity. To enable you to fulfill this responsibility, the firm strictly prohibits retaliation against anyone who reports in good faith a possible violation of the Code, no matter whom the report involves.

In addition, you may have certain rights in connection with reporting legal, compliance, ethical or other issues to regulatory, administrative or other governmental or self-regulatory bodies. Nothing in this Code is intended to limit those rights or any protections that may be applicable in connection with reporting potential violations.

Violations of the Code

We take this Code and your obligations under it very seriously, and will take any disciplinary or preventive action deemed appropriate to address existing or potential violations of the Code, up to and including termination of your employment. Violations of the Code may also constitute violations of law, which may result in criminal or civil penalties for you and the firm.

Compliance with Laws, Rules and Regulations

You must comply with all applicable laws, rules and regulations, including those related to insider trading, financial reporting, money laundering, fraud, bribery and corruption. Detailed rules regarding applicable laws are included in the Compendium.

Generally, if you are aware of material nonpublic information relating to the firm, any of our clients or any other private or governmental issuer of securities, you cannot buy or sell any securities of those issuers or recommend that another person buy, sell or hold the securities of those issuers. Questions regarding the purchase or sale of any firm securities or any securities of issuers that you are familiar with by virtue of your role at Goldman Sachs should be directed to an appropriate ethics contact prior to any purchase or sale.

Personal Conflicts of Interest

A personal conflict of interest occurs when your private interest improperly interferes with the interests of the firm. Actions or relationships that create personal conflicts of interest are prohibited, unless approved by the firm.

It is important that you carefully consider whether any of your activities or relationships, including business or volunteer positions outside the firm, could cause a conflict (or the appearance of a conflict) with the interests of the firm. Even if an activity seems unrelated to your role at the firm, you may be required to obtain pre-approval before engaging in it. The Compendium provides detailed guidance on when and how pre-approval is obtained.

Additionally, personal gain and advantage must never take precedence over your obligations to the firm. You must never use or attempt to use your position at the firm to obtain any improper personal benefit (including loans or guarantees of obligations or gifts, from any person or entity) for yourself, family member(s) or any other individual or group.

If you are aware of a transaction or relationship that could reasonably be expected to give rise to a conflict of interest or perceived conflict of interest, you should discuss the matter promptly with an appropriate ethics contact. When in doubt, raise the question for appropriate consideration.

Corporate Opportunities

You are prohibited from taking for yourself (or directing to any other person) a business opportunity that is discovered through the use of corporate property, information or position at the firm, unless the firm has already been offered the opportunity and turned it down or otherwise renounced the opportunity. More generally, you are prohibited from using corporate property, information or position for personal gain or competing with the firm.

We recognize that it sometimes can be difficult to determine the line between personal and firm benefits; at times both personal and firm benefits stem from particular activities. The prudent course of action is to obtain pre-approval from an appropriate ethics contact for any use of firm property or services that is not solely for the benefit of the firm.

Fair and Ethical Competition

We rely on our people to uphold our culture of integrity in all that we do. Our values demand that we deal fairly with our clients, service providers, suppliers, competitors and each other. No one at the firm may seek competitive advantage through illegal or unethical business practices. Taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice is a violation of this Code.

Protecting Confidential Information

In the course of business, our people often have access to confidential or proprietary information about the firm, our clients, prospective clients or other third parties. Our business and reputation depend on the commitment of each of you to protect this information. You must maintain the confidentiality of the information with which you are entrusted, including complying with information barrier procedures applicable to your business. The only exception is when disclosure is authorized or legally mandated. Confidential or proprietary information includes, among other things, any non-public information concerning the firm (including its businesses, financial performance,

results or prospects) and any non-public information provided by a third party with the expectation that the information will be kept confidential and used solely for the business purpose for which it was conveyed. We encourage a careful review of the Compendium for detailed guidance on this important topic.

Public Disclosure

It is our policy that all information in our public communications — including SEC filings — be full, fair, accurate, timely and understandable. All individuals who are involved in our disclosure process must act in a manner consistent with this policy. In particular, they are required to maintain familiarity with the relevant disclosure requirements, and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the firm to others, whether within or outside the firm, including our independent auditors.

Equal Employment Opportunities and Commitment to Diversity

Concern for the personal dignity of each individual is an indispensable element of the standards we set for ourselves at Goldman Sachs. We focus our personnel decisions on merit and contribution to the firm's success. The firm affords equal employment opportunity to all qualified persons without regard to any impermissible criterion or circumstance. We do not tolerate any type of discrimination prohibited by law, including harassment.

We value diversity as an important asset that enhances our culture, helps us serve clients well and maximizes return for shareholders. For us to excel, we must create for our people an inclusive environment that welcomes and supports differences and encourages input from all perspectives.

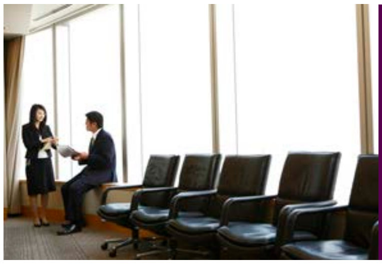
Political Contributions and Activities

Laws and regulations regarding political contributions and activities vary around the world and, in many cases, penalties for violations can be severe. While we encourage participation in the political process, we maintain policies and procedures regarding political contributions and activities to ensure compliance with all existing laws and regulations.

Importantly, we prohibit our employees from making or soliciting political contributions or engaging in political activities whose purpose is to assist the firm in obtaining or retaining business. In addition to the detailed policies included in the Compendium, we have posted our "Statement on Policy Engagement and Political Participation" on our external website.

Protecting and Properly Using Firm Assets

You should protect the firm's assets and ensure their efficient use. All firm assets should be used for legitimate business purposes only.



Additional Procedures

All of our employees are required to affirm that they have reviewed the Code and will comply with it.

Our Board members and our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer should report any existing or potential violation of this Code to the firm's General Counsel. No waivers of this Code for executive officers or Board members of the firm may be made unless approved by the Board of Directors or a committee of the Board, and if approved, will be disclosed on our website.

Business Principles

Our clients' interests always come first.

Our experience shows that if we serve our clients well, our own success will follow.

Our assets are our people, capital and reputation.

If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.

Our goal is to provide superior returns to our shareholders.

Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders.

We take great pride in the professional quality of our work.

We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.

We stress creativity and imagination in everything we do.

While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

We make an unusual effort to identify and recruit the very best person for every job.

Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.

We offer our people the opportunity to move ahead more rapidly than is possible at most other places.

Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our men and women must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be.

We stress teamwork in everything we do.

While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.

The dedication of our people

to the firm and the intense effort they give their jobs are greater than one finds in most other organizations. We think that this is an important part of our success.

We consider our size an asset that we try hard to preserve.

We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.

We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs.

We know that the world of finance will not stand still and that complacency can lead to extinction.

We regularly receive confidential information as part of our normal client relationships.

To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.

Our business is highly competitive, and we aggressively seek to expand our client relationships.

However, we must always be fair competitors and must never denigrate other firms.

Integrity and honesty are at the heart of our business.

We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

<u>EXHIBIT F</u> -

Amended and Restated as of March 2013

Corporate Governance Guidelines

I. Introduction

The Board of Directors (the "Board") of The Goldman Sachs Group, Inc. (the "Company"), acting on the recommendation of its Corporate Governance, Nominating and Public Responsibilities Committee (the "Governance Committee"), has adopted these corporate governance principles (the "Guidelines") to promote the effective functioning of the Board and its committees, to promote the interests of shareholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions.

II. Board Composition and Size

The members of the Board should collectively possess a broad range of skills, expertise, industry and other knowledge, and business and other experience useful to the effective oversight of the Company's business. A majority of the Board shall consist of directors who the Board has determined are "independent" under the rules of the New York Stock Exchange, Inc. (an "Independent Director").

It is the sense of the Board that, absent special circumstances, the Board should consist of no more than 15 members in order to facilitate its functioning.

III. Board Leadership Structure

The Board shall be responsible for establishing and maintaining the most effective leadership structure for the Company. The Board shall select its chairman (the "Chairman") and the Company's chief executive officer (the "CEO") in a way that it considers in the best interests of the Company. The Board does not have a policy on whether the role of Chairman and CEO should be separate or combined and, if it is to be separate, whether the Chairman should be selected from the Independent Directors or should be an employee of the Company. The Board has determined, however, that if the Chairman is not an Independent Director, then there should also be a "Lead Director" (with the powers and duties described below) who is an Independent Director.

The Board shall review its leadership structure at least annually. As part of this review, the Board shall evaluate:

- the leadership positions that the Company should maintain (e.g., Chairman, Lead Director, and CEO);
- the responsibilities of such positions; and
- the qualifications to hold such positions.

In conducting this review, the Board shall consider, among other things:

- the effectiveness of the policies, practices and people in place to help ensure strong, independent Board oversight;

- the Company's performance and the effect that a particular leadership structure may have on the Company's performance;

- the views of the Company's shareholders; and

- legislative and regulatory developments, the practices at other global companies, trends in governance, and other information and data on the topic of board leadership structure as it considers appropriate.

IV. Selection of Directors

Nominations and Appointments. The Board's Governance Committee shall be responsible for identifying and recommending to the Board qualified candidates for Board membership, based primarily on the following criteria:

- Judgment, character, expertise, skills and knowledge useful to the oversight of the Company's business;

- Diversity of viewpoints, backgrounds, experiences, and other demographics;

- Business or other relevant experience; and

- The extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other Board members will build a Board that is effective, collegial and responsive to the needs of the Company.

The Governance Committee shall give appropriate consideration to candidates for Board membership nominated by shareholders in accordance with the Company's by-laws, and shall evaluate such candidates in the same manner as other candidates identified to the Committee. The Committee may use outside consultants to assist in identifying candidates. Members of the Governance Committee shall discuss and evaluate possible candidates in detail prior to recommending them to the Board.

The Governance Committee shall also be responsible for initially assessing whether a candidate would be an Independent Director. The Board, taking into consideration the recommendations of the Governance Committee, shall be responsible for selecting the nominees for election to the Board by the shareholders and for appointing directors to the Board to fill vacancies, with primary emphasis on the criteria set forth above. The Board, taking into consideration the assessment of the Governance Committee, shall also make a determination as to whether a nominee or appointee would be an Independent Director.

Invitations. The invitation to join the Board shall be extended by the Board via the Chairman and either the chairperson of the Governance Committee or another Independent Director of the Company designated by the Chairman and the chairperson of the Governance Committee.

V. Continuation as a Director

Review of Continuation Based on Age. A director shall tender such director's proposed retirement from the Board to the chairperson of the Governance Committee (or, in the case of the chairperson of the Governance Committee, to the Chairman of the Board) no later than 3 months prior to the Annual Meeting of Shareholders of the Corporation that follows the director's 75th birthday. Such director shall then retire on the eve of such Annual Meeting unless the Board, upon the recommendation of the Governance Committee, determines to request that the director continue to serve and the director is amenable to so serving. The Governance Committee shall review the director's continuation on the Board, and recommend to the Board whether, in light of all the circumstances, the Board should accept such proposed retirement or request that the director continue to serve. In the event the director, at the request of the Board, continues to serve on the Board, such director shall communicate to the chairperson of the Governance Committee (or, in the case of the chairperson of the Governance Committee, to the Chairman of the Board), in advance of each subsequent annual determination by the Board of the nominees to be submitted to shareholders for election as directors at the Annual Meeting, an offer not to stand for re-election. The Board shall then determine whether to accept such director's offer.

Resignation of the Company's Chairman or CEO. If the Chairman of the Board or the CEO (if he or she is a member of the Board) resigns from that position, he or she shall tender to the chairperson of the Governance Committee his or her proposed resignation from the Board. The Governance Committee shall review the director's continuation on the Board, and, in the case of a resignation tendered other than pursuant to Section 2.2 of the Company's By-Laws, recommend to the Board whether, in light of all the circumstances, the Board should accept such proposed resignation or request that the director continue to serve or, in the case of a resignation required to be tendered pursuant to Section 2.2 of the Company's By-Laws, to assess whether a significant reason for the director to remain as a director exists and recommend to the Board whether, in light of the existence or absence of such reason, the Board should accept such proposed resignation.

Change In Job Responsibility. Each time a director's principal occupation or business association changes substantially, the director shall tender such director's proposed resignation from the Board to the chairperson of the Governance Committee (or, in the case of the chairperson of the Governance Committee, to the Chairman of the Board). The Governance Committee shall review the director's continuation on the Board, and recommend to the Board whether, in light of all the circumstances, the Board should accept such proposed resignation or request that the director continue to serve.

VI. The Committees of the Board

The Board has established four committees: the Audit Committee, the Compensation Committee, the Governance Committee and the Risk Committee (the "Committees"). Each Committee shall have a written charter. The Board expects to accomplish a substantial amount of its work through the Committees. Each Committee shall report regularly to the Board summarizing the Committee's actions and any significant issues considered by the Committee. Such reporting shall not be required if all directors are present at the Committee meeting at which such actions or issues are considered or if individual directors not present are otherwise informed with respect to such actions or issues as appropriate.

Each of the Audit Committee, the Compensation Committee, the Governance Committee and the Risk Committee shall be composed of no fewer than three members. Each Committee member must satisfy the membership requirements set forth in the relevant Committee charter. A director may serve on more than one Committee.

The Governance Committee shall be responsible for identifying Board members qualified to fill vacancies on any Committee and recommending that the Board appoint the identified member or members to the applicable Committee. The Independent Directors, taking into account the views of the Chairman, shall recommend one member of each Committee as chairperson of such Committee. It is the sense of the Board and the Governance Committee that consideration should be given to rotating the chairpersons of the Committees periodically at about a six-year interval, but they do not believe that it is in the best interests of the Company to mandate rotation as a policy since there may be reasons at a given point in time to maintain a chair position for a longer period.

VII. Board and Committee Meetings

The Board shall have at least five meetings each year. Further meetings shall occur if called by the Board, the Chairman, the Lead Director, the chairperson of the Governance Committee, any vice chairman of the Board, the CEO, a president, a chief operating officer or any two directors. The Board may act by unanimous written consent in lieu of a meeting.

Each Committee shall have the number of meetings provided for in its charter, with further meetings to occur (or action to be taken by unanimous written consent) when deemed necessary or desirable by the Committee or its chairperson.

The Chairman shall work with the Lead Director, if any, to set the agenda for each Board meeting. Any Board member may suggest the inclusion of additional subjects on the agenda. The agenda for each Committee meeting shall be established by the Committee chairperson in consultation with appropriate members of the Committee and with management. Although management will seek to provide appropriate materials in advance of Board and Committee meetings, this will not always be consistent with the timing of transactions and the operations of the business, and in certain cases it may not be possible to circulate materials in advance of the meeting. Materials presented to the Board and Committee members should provide the information needed for the directors to make an informed judgment or engage in informed discussion.

At least annually, the Chairman shall issue to the other Board members a schedule of the foreseeable primary agenda subjects intended to be discussed by the Board, and each Committee's chairperson shall issue to the other Committee members a schedule of the foreseeable primary agenda subjects intended to be discussed by the Committee.

Unless a Committee expressly determines otherwise, the agenda, materials and minutes for each Committee meeting shall be available to all directors. In addition, all directors, whether or not members of the Committee, shall be free to make suggestions to a Committee chairperson for additions to the agenda of his or her Committee or to request that an item from a Committee agenda be considered by the Board. Further, all directors, whether or not members, shall be permitted to attend any Committee meeting, if invited by the Committee.

VIII. Executive Sessions and the Lead Director

To ensure free and open discussion and communication among the Independent Directors, these directors shall meet in executive session at least four times a year with no members of management or non-Independent Directors present. Each Independent Director shall have the authority to call executive sessions.

If the Chairman is an Independent Director, then the Chairman should chair such executive sessions. If not, then the Independent Directors shall designate an Independent Director as the Lead Director, who shall have the powers and duties described below. The Independent Directors may designate a new Lead Director at any time. The Independent Directors have currently determined that the Lead Director shall be the chairperson of the Governance Committee.

The Lead Director's powers or duties shall include:

- Setting agenda for Board meetings, working with our Chairman (including adding items to and approving the agenda), and approving the related materials; approving the schedule for Board and committee meetings; setting agenda and approving materials for Governance Committee meetings; approving agenda for other committee meetings (along with our other independent committee chairs, who also approve the materials for such meetings).

- engaging with the other Independent Directors to identify matters for discussion at executive sessions of the Independent Directors;

- presiding at such executive sessions;

- advising the Chairman of decisions reached, and suggestions made, at such executive sessions, as appropriate;

- calling meetings of the Independent Directors;

- presiding at each Board meeting at which the Chairman is not present;

- facilitating communication between the Independent Directors and the Chairman, including by presenting the Chairman's views, concerns and issues to the Independent Directors and raising to the Chairman, as appropriate, views, concerns and issues of the Independent Directors;

- engaging with the Chairman between Board meetings and assist with informing or engaging with non-employee directors, as appropriate;

- engaging with each non-employee director individually regarding the performance and functioning of the Board and other matters as appropriate;

- overseeing the Board's governance processes, including Board evaluations, succession planning and other governance-related matters;

- leading the annual CEO evaluation;

- meeting directly with management and non-management employees of the firm; and

- being available for consultation and direct communication with shareholders and other key constituents, as appropriate.

IX. Board Responsibilities

The business and affairs of the Company are managed by or under the direction of the Board in accordance with Delaware law. The Board's responsibility is to provide direction and oversight. The Board establishes the strategic direction of the Company and oversees the performance of the Company's business and management. The management of the Company is responsible for presenting strategic plans to the Board for review and approval and for implementing the Company's strategic direction. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company, and they shall consider, among other things, the potential effect of any matter on the Company's reputation.

Certain specific corporate governance functions of the Board are set forth below:

1. *Management Succession*. The Board, acting through the Governance Committee, shall review and concur in a management succession plan, developed by the CEO, to ensure continuity in senior management. This plan, on which the CEO shall report at least annually, shall address:

- emergency CEO succession;
- CEO succession in the ordinary course of business; and
- succession for the other members of senior management. The plan shall include an assessment of senior management experience, performance, skills and planned career paths.

2. *Evaluating the CEO*. The Board, acting through the Governance Committee and under the leadership of the Lead Director, shall annually conduct an evaluation of the performance of the CEO. The chairperson of the Governance Committee shall communicate such evaluation to the CEO and the chairperson of the Compensation Committee.

3. *Reviewing and Approving Significant Transactions.* Board approval of a particular transaction may be appropriate because of several factors, including:

- legal or regulatory requirements,
- the materiality of the transaction to the Company's financial performance, risk profile or business,
- the terms of the transaction, or
- other factors, such as the entering into of a new line of business or a variation from the Company's strategic plan.

To assist in this review, the Board has developed standards to be utilized by management in determining types of transactions that should be submitted to the Board for review and approval or notification.

4. *Director Compensation*. The Governance Committee shall periodically review the form and amounts of director compensation and make recommendations to the Board with

respect thereto. The Board shall set the form and amounts of director compensation, taking into account the recommendations of the Governance Committee. The Board believes that the amount of director compensation should fairly reflect the contributions of the directors to the performance of the Company. Management shall at least annually prepare and provide to the chairperson of the Governance Committee a report on the director compensation policies and practices of the Company's principal competitors and other comparable companies. Only non-employee directors shall receive compensation for services as a director. To create a direct linkage with corporate performance, the Board believes that a meaningful portion of the total compensation of non-employee directors should be provided and held in common stock, restricted stock units, or other types of equity-based compensation.

X. Expectations for Directors

The Board has developed a number of specific expectations of directors to promote the discharge by the directors of their responsibilities and to promote the efficient conduct of the Board's business.

1. *Commitment and Attendance.* All directors should make every effort to attend meetings of the Board and the Committees of which they are members. Attendance by telephone or video conference may be used to facilitate a director's attendance.

2. *Participation in Meetings*. Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and the competition it faces, to ensure active and effective participation in the deliberations of the Board and of each Committee on which he or she serves. Management shall make appropriate personnel available to answer any questions a director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its Committees and should arrive prepared to discuss the issues presented.

3. *Loyalty and Ethics*. In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interest possessed by a director.

The Company has adopted a Code of Business Conduct and Ethics. Certain portions of the Code deal with activities of directors, particularly with respect to potential conflicts of interest, the taking of corporate opportunities for personal use, and transactions in the securities of the Company. Directors should be familiar with the Code's provisions in these areas and should consult with the Company's General Counsel in the event of any issues.

Directors are permitted, to the extent legally permissible, to maintain brokerage or similar accounts with the Company's affiliates, purchase investment services, investment products, securities or similar products and services from the Company or its affiliates or invest in partnerships or funds sponsored or managed by the Company or its affiliates. All such accounts and services are provided on substantially the same terms and conditions as those prevailing at the time for similarly situated persons who are not directors of the Company.

4. *Director Stock Ownership.* The Board believes that it is important for each director to have a financial stake in the Company to help align the director's interests with those of the Company's shareholders. To meet this objective, it is the policy of the Board that each director must maintain beneficial ownership of at least 5,000 shares of the Company's common

stock and/or fully vested restricted stock units at all times during his or her tenure on the Board, provided that new non-employee directors will have up to three years of service on the Board to meet this ownership requirement.

5. *Outside Activities.* The Company values the experience directors bring from other business associations, including boards on which they serve, and the other activities in which they participate, but recognizes that those activities may also present demands on a director's time and availability. Further, such activities may present conflicts or legal issues, including independence issues, that should be assessed. Directors should advise the chairperson of the Governance Committee and the Chairman before accepting a membership on other boards of directors, accepting membership on any audit committee or other significant committee assignment on any other board of directors, or establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the director's relationship to the Company.

6. *Contact with Management and Employees.* All directors shall be free to contact the CEO at any time to discuss any aspect of the Company's business. Directors shall also have complete access to other employees of the Company. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and Committee meetings, or in other formal or informal settings.

Further, the Board encourages management to bring into Board meetings from time to time (or otherwise make available to Board members) individuals who can provide additional insight into the items being discussed because of personal involvement and substantial knowledge in those areas.

7. *Speaking on Behalf of the Company.* It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the primary spokesperson. If a situation does arise in which it seems necessary for a non-employee director to speak on behalf of the Company to one of these constituencies, the director should consult with the CEO.

8. *Confidentiality.* The proceedings and deliberations of the Board and its committees shall be confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

XI. Evaluating Board and Committee Performance

The Board, acting through the Governance Committee and under the oversight of the Lead Director, shall conduct an annual self-evaluation. Each Committee shall conduct an annual self-evaluation as provided for in its respective charter.

XII. Orientation and Continuing Education

Management, working with the Board, shall provide an orientation process for new directors, including background material on the Company and its business. As appropriate, management shall prepare additional educational sessions for directors on matters relevant to the Company and its business.

XIII. Reliance on Management and Outside Advice

In performing its functions the Board shall be entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. Except as otherwise provided in a charter of a Committee, the Board shall have the authority to select, retain, terminate and approve the fees and other retention terms of its outside advisors.

XIV. Board Communications

Any person who wishes to communicate with any of the Company's directors, committee Chairs, Lead Director or with the Company's Independent Directors as a group, may mail correspondence to:

Secretary to the Board of Directors
Executive Office, 41st Floor
The Goldman Sachs Group, Inc.
200 West Street
New York, New York 10282

Communications also may be directed to the designated external contact for Board communications, as set forth in the Policy on Reporting of Concerns Regarding Accounting and Other Matters, which is available at http://www.gs.com/shareholders.

EXHIBIT G -

Amended and restated as of April 2013

Corporate Governance, Nominating and Public Responsibilities Committee Charter

Purpose of Committee

The purpose of the Corporate Governance, Nominating and Public Responsibilities Committee (the "Committee") of the Board of Directors (the "Board") of The Goldman Sachs Group, Inc. (the "Company") is to recommend individuals to the Board for nomination, election or appointment as members of the Board and its committees, consistent with the criteria included in the Company's Corporate Governance Guidelines, to oversee the evaluation of the performance of the Board and the Company's Chief Executive Officer (the "CEO"), to review and concur in the CEO's and other senior management's succession plans, to take a leadership role in shaping the corporate governance of the Company, including developing, recommending to the Board and reviewing on an ongoing basis the corporate governance principles and practices that should apply to the Company, to assist the Board in its oversight of the Company's relationships with major external constituencies and the Company's reputation, and to review the Company's philanthropic and educational initiatives.

Committee Membership

The Committee shall consist of no fewer than three members of the Board. The Committee shall consist only of members of the Board who the Board has determined are "independent" under the rules of the New York Stock Exchange and the Securities and Exchange Committee heightened independence rules for members of an audit committee (an "Independent Director").

Committee Structure and Operations

The independent directors, taking into account the views of the Chairman of the Board, shall recommend for approval by the Board one member of the Committee as its chairperson. The Committee shall meet at least twice a year, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson.

The Committee may invite such members of management and other persons to its meetings as it may deem desirable or appropriate. The Committee shall report regularly to the Board summarizing the Committee's actions and any significant issues considered by the Committee. Such reporting shall not be required if all directors are present at the Committee meeting at which such actions or issues are considered or if individual directors not present are otherwise informed with respect to such actions or issues as appropriate.

Committee Duties and Responsibilities

The following are the duties and responsibilities of the Committee:

1. To identify individuals qualified to become Board members, to recommend to the Board the nominees to stand for election as directors at the annual meeting of stockholders or, if applicable, at a special meeting of stockholders, and in each case to provide to the Board the Committee's assessment of whether each such individual or nominee would be an Independent Director. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Committee

shall recommend to the Board an individual to fill such vacancy through appointment by the Board. In recommending candidates, the Committee shall place primary emphasis on the criteria set forth under "Selection of Directors – Nominations and Appointments" in the Company's Corporate Governance Guidelines. The Committee may consider candidates proposed by management, but is not required to do so.

2. To review periodically as it deems appropriate, but at least annually, the standards to be applied by the Board in making determinations as to whether a director should be deemed an Independent Director, to recommend to the Board any modifications to these standards that the Committee deems desirable, and to provide to the Board the Committee's assessment of which directors should be deemed Independent Directors under the then-current standards and under any recommended modifications to the standards.

3. To identify Board members qualified to fill vacancies on any committee of the Board (including the Committee), to recommend that the Board appoint the identified member or members to the respective committee and to recommend to the Board any member of a committee that should be removed from such committee. In recommending a candidate for committee membership or removal from a committee, the Committee shall take into consideration the criteria set forth under "Selection of Directors – Nominations and Appointments" in the Company's Corporate Governance Guidelines, the factors set forth in the charter of the committee, if any, and any other factors that it deems appropriate and that are not inconsistent with the criteria set forth in the Corporate Governance Guidelines or any factors set forth in the committee charter. In recommending a candidate for Audit Committee membership, the Committee shall provide to the Board the Committee's assessment of whether such candidate would be independent and would be an "audit committee financial expert," in each case, as defined by the rules of the Securities and Exchange Commission.

4. To review the continuation on the Board of any director who has tendered a letter of proposed retirement or resignation from the Board and, in the case of a retirement or resignation tendered other than pursuant to Section 2.2 of the Company's By-Laws, to recommend to the Board whether, in light of all the circumstances, the Board should accept such proposed retirement or resignation or request that the director continue to serve or, in the case of a resignation required to be tendered pursuant to Section 2.2 of the Company's By-Laws, to assess whether a significant reason for the director to remain as a director exists and recommend to the Board whether, in light of the existence or absence of such reason, the Board should accept such proposed resignation.

5. To make recommendations to the Board from time to time as to changes that the Committee believes to be desirable in the size of the Board or any committee thereof.

6. To make recommendations to the Board from time to time as to the establishment of any new committees of the Board that the Committee believes to be necessary or desirable.

7. To annually conduct an evaluation of the performance of the Board and, through its chairperson, to communicate this evaluation to the full Board. The performance evaluation shall be conducted in such manner as the Committee deems appropriate.

8. To review periodically the form and amounts of non-employee director compensation and make recommendations to the Board with respect thereto.

9. To annually conduct an evaluation of the performance of the CEO and, through its chairperson, to communicate this evaluation to the CEO and the chairperson of the Compensation Committee. The performance evaluation shall be conducted in such manner as the Committee deems appropriate.

10. To review and concur in the CEO's and other senior management's succession plans at least annually.

11. To develop and recommend to the Board a set of corporate governance principles and practices applicable to the Company and, at least once a year, to review those principles and practices and recommend to the Board any revisions the Committee deems necessary or desirable.

12. To review, at least once a year, the Company's Code of Business Conduct and Ethics and recommend to the Board any revisions the Committee deems necessary or desirable.

13. To review Environmental, Social and Governance (ESG) issues affecting the Company, including through the periodic review of the Company's ESG Report.

14. To review periodically and provide guidance on the Company's strategy for managing its relationships with major external constituencies and its reputation, and the development, implementation and effectiveness of such strategy, which includes overseeing the implementation of the recommendations of the Business Standards Committee and client service issues.

15. To review periodically the Company's philanthropic and educational initiatives, including 10,000 Women, 10,000 Small Businesses and Goldman Sachs Gives, and the Company's support of charitable organizations through The Goldman Sachs Foundation or otherwise.

16. To discharge any other duties or responsibilities delegated to the Committee by the Board from time to time.

In fulfilling its duties and responsibilities, the Committee shall consider, among other things, the potential effect of any matter on the Company's reputation.

Performance Evaluation and Review of Charter

The Committee shall conduct an annual performance evaluation of the Committee, which evaluation shall, among other things, compare the performance of the Committee with the requirements of this charter. The performance evaluation shall be conducted in such manner as the Committee deems appropriate. The Committee shall report to the Board on this evaluation.

The Committee shall review the adequacy of this charter on at least an annual basis and shall recommend to the Board any revisions the Committee deems necessary or desirable, although the Board shall have the sole authority to amend this charter.

Delegation to Subcommittee

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. With respect to consultants or search firms used to identify director candidates and compensation consultants retained to assist in the evaluation of director compensation, this authority shall be vested solely in the Committee.