

THE DAILY CHECK-IN WITH GOLDMAN SACHS

GUEST: CAREY HALIO, DEPUTY TREASURER, GOLDMAN SACHS

HOST: LIZ BOWYER, GLOBAL HEAD OF BRAND AND CONTENT STRATEGY

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Liz Bowyer: Hi, Carey.

Carey Halio: Hi, Liz.

Liz Bowyer: So we've seen record inflows in sustainable investing recently, and to that end Goldman Sachs has issued its own sustainability bond. As deputy treasurer of the firm, you played a big role in structuring the bond. Tell us about it.

Carey Halio: Well, it all started a little over a year ago when David Solomon announced a \$750 billion commitment from the firm for advisory investing and lending activity in sustainable finance. We identified two main areas that we were focused on in this regard. The first is climate transition, and the second was inclusive growth.

And so just recently we issued our first bond in this regard. We issued a \$800 million five non-call four bond. We will use the proceeds of that bond to invest in assets on our balance sheet around these two areas. And we just feel that, you know, these themes have never been more important given the environment that we're operating in today.

Liz Bowyer: So clearly a lot of interest around sustainable investing, but what's the significance of the timing. Why issue this bond now?

Carey Halio: Yeah, look, we think that climate transition and financial inclusion represent an imperative and an opportunity for our firm to be involved. It's really core to our purpose, right? We define Goldman Sachs's purpose as advancing sustainable economic growth and financial opportunity. So it's really fundamental to what we do.

In terms of why now from a practical matter, you know, we've spent the last seven years advising over 100 clients in green social and sustainable bonds. And we felt we were now ready. We spent the last year developing a framework, an asset-tracking mechanism, really being a response to many of the investors' requirements or desires around the sustainable finance space. And so we felt like we were finally ready with our framework.

Liz Bowyer: So help us understand that framework and how the bond actually works.

Carey Halio: Sure. So we're going to use the proceeds of the bond to invest in new assets on our balance sheet in the space of climate transition and financial inclusion. And so we think this is kind of core to our business model, right? As a financial intermediary, we're going to find new investments to make with the proceeds of this bond. This is sort of different than some of the other green bonds or social bonds that we've seen done where, for example, a large industrial company might be using the proceeds of a bond to invest in a new, you know, power plant that's more efficient than power plants that they had used before, for example. So that would be relevant for that kind of company, but we feel like this sort of bond is relevant to our company and the business model that we have.

Liz Bowyer: So what's an example of a type of investment that might come out of the bond?

Carey Halio: We have two recent examples of transactions that we looked at that would be the types of transactions we would use the proceeds for in this regard. The first was in the climate transition space. It was a company called Block Power and we made an equity investment. They're interested in looking at retrofitting and upgrading the old energy systems in buildings in urban areas. So they go into the building, and they use machine learning to analyze the air quality and temperature within the buildings so that they can see if those systems need upgrading or enhancing. And this is great because it not only reduces the greenhouse gas emissions of those buildings, but it also improves the quality of life of the tenants in the space.

The second example of a recent investment we made is with the National Urban League. The National Urban League is a historic civil rights organization in Harlem. And we facilitated the financing for the construction of a new multi-use facility. It will become the National Urban League's new headquarters, and it will also have space there for local nonprofits to operate rent-free. And they're also planning to create New York's first civil rights museum.

Liz Bowyer: So Carey, a big concern around sustainable investing is this idea of greenwashing, where despite lofty goals the ultimate impact is pretty minimal. What's your take on that?

Carey Halio: So I've talked a little bit about this, but we created, you know, a very robust internal framework. It took us over a year to do, and we really felt strongly that we needed to have this right and we needed to respond to some of these areas of concerns from investors. And so we built a very robust tracking process that's within our systems so we can track it systemically. We have various checks and balances around, you know, the identification of which assets actually meet these requirements of the two areas of sustainability. And then we also have outside opinions on this. So we received a second-party opinion on our framework itself. And then we're going to create reporting on an annual basis on the assets that we're funding with the proceeds of this bond. And that report will also be audited by external auditors.

And so we wanted to respond to investors' concerns around this and make sure that we had a very robust process that we felt was differentiated in this regard.

Liz Bowyer: So you mentioned the meetings you're having with investors around the sustainability bond. What other issues are they focused on?

Carey Halio: Yeah. I mean, we met with over 60 investors in advance of the issuance that we did, and they had a lot of questions. And the areas that they were focused on was they really wanted to see us invest in new assets rather than use the proceeds of the bond to invest in things that we'd already put on our balance sheet essentially. So new assets.

They wanted to see a programmatic approach rather than, you know, coming out with a sustainable bond one time and then never coming back to the market. And so we've committed to coming back to the market every 12-18 months, and so we're excited to get to do this again.

And then they really wanted this robust reporting where they could see, you know, what assets you're funding with it and what are the themes and what businesses are they coming from and so forth. And so we've committed to that as well. So those were the areas that they were focused on most.

Liz Bowyer: And so how is the issuance going so far?

Carey Halio: It went great. Our bond issuance was four times over subscribed. It's clear that there's a lot of interest and

demand from investors for this type of activity. And so we were excited about the response. We ended up upsizing the bond slightly from our original size expectations, just given some of this interest. And then in terms of the allocations, like which investors bought it, you know, over 50% of the bond went to ESG-focused investors, which we were really excited about. And also we had new investors to Goldman Sachs. So investors who had never bought Goldman Sachs bonds before were buying our bonds for the first time because it had this sustainability angle to it.

Liz Bowyer: So finally, Carey, just given this interest, what's your outlook for sustainability issuance going forward?

Carey Halio: We've seen a lot of issuance from investors in general. As I mentioned earlier, we've advised over 100 issuers in the green bond, social bond, or sustainability bond space. And I think this trend is going to continue. I think that you see it on the investor side, and you see it on the issuer side. And as I mentioned earlier, the topics of climate transition and inclusive growth have never been more important. I think we will continue to see growth in this area. And also, you know, just going back to what I said before, it is completely linked to what we think of as the firm's purpose, right? To support economic growth broadly in a sustainable way and in an inclusive way.

Liz Bowyer: Thanks, Carey. We look forward to having you back for an update.

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