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## Goldman to Encourage Solutions to Environmental Issues

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As of today, the Goldman Sachs Group is officially green.

The big investment banking firm has announced a policy that details how its 24,000 employees - be they bankers, analysts or purchasing agents - should promote activities that protect forests and guard against climate change.

Goldman, which counts paper companies, refiners and car companies among its clients, stopped short of saying it would reject clients with questionable environmental practices. Instead, it said it would "encourage" clients in "environmentally sensitive" areas to use "appropriate safeguards."

It committed itself to investing \$1 billion in projects that generate energy from sources other than oil and gas. And it strongly endorsed stringent federal regulation.

Goldman said it would establish a Center for Environmental Markets to study how the free-market system can solve environmental problems. Henry M. Paulson Jr., Goldman's chairman, said the center - which will cost \$5 million to set up and will be operating within six months - would help shape public policy.

"We don't have a lot more time to deal with climate change," said Mr. Paulson, an outspoken environmentalist who is also chairman of the Nature Conservancy. "We need the right balance between regulation and market-based approaches."

Goldman is not the first financial services firm to adopt an environmental policy. In response to a 2003 campaign led by the Rainforest Action Network, more than 30 commercial banks signed the Equator Principles, which call for them to assess environmental risk before financing a project.

This year, J. P. Morgan Chase set out strict environmental dos and don'ts for each part of its business. And Merrill Lynch now includes environmental issues in the due-diligence checklist its bankers use before underwriting stock issues.

But environmental advocates say that the Goldman policy keeps going where others leave off.

"They are spending intellectual capital and energy on finding market-based solutions to environmental problems," said Michelle Chan-Fishel, program manager for green investments at Friends of the Earth.

Jonathan Lash, president of the World Resources Institute, was more blunt. "Goldman has given us things to measure them by," he said.

The Goldman policy is certainly the most explicit. J. P. Morgan calls for public policy that "establishes certainty for investors and allows significant investments in greenhouse gas emissions." Goldman endorses a "strong policy framework that creates long-term value for greenhouse gas emissions reductions and consistently supports and incentivizes the development of new technologies that lead to a less carbon-intensive economy."

Goldman, which already owns wind farms and power plants and recently contributed land for a protected forest in Chile, has also set such quantifiable goals as reducing greenhouse gases from its office buildings by 7 percent by 2012 and developing uniform green building standards for all its properties.

It has pledged to increase its activities in carbon trading, which grants companies the right to emit set quantities of carbon dioxide and sell the rights if they emit less than allowed. It has also committed its equity research department to do extensive environmental studies.

"Goldman is expressly acknowledging the financial risks of investing in a company with weak environmental performance," said Michael J. Brune, executive director for Rainforest Action Network.

Goldman said it would insist that its own buildings be constructed of certified wood - wood that was not illegally logged - and would "prefer" to finance forestry projects that have been similarly certified. Similarly, it said, it would "prefer" to finance projects in which the local communities were consulted.

"It is not our job to dictate to clients what they must do," Mr. Paulson said. "We won't finance projects that damage the environment, but we won't refuse to underwrite your security or handle your merger because you are not as environmentally strong as we would like."

Environmentalists wince at some of the omissions, but concede that no bank has pledged to shun clients on environmental grounds.

"We can't expect unilateral disarmament," said Eileen Claussen, president of the Pew Center on Global Climate Change. "If Goldman works to get stricter federal policies, and if it disseminates its research to clients and policy makers, the issue may be rendered moot anyway."