

OUR BUSINESS PRINCIPLES

Faced with unsettled markets and unsettling events, in 2001 the people of Goldman Sachs continued to develop successful strategies and execute transactions with our clients. We did so in the same way that our predecessors at Goldman Sachs faced the unprecedented challenges of their times—by building on the foundation of values embodied in our fourteen Business Principles.

These Principles reflect a set of ethics that have become ingrained in our firm's character over more than 130 years. They serve as the bedrock of our determination to provide clients with our industry's premier counsel and services. For our shareholders, they remain an enduring source of confidence.

The Business Principles characterize not only the high standards and aspirations of the people who built this firm, but of our people today. If we do what is right, and apply our Principles as the examples on the following pages demonstrate, we believe that the people of Goldman Sachs will continue to be known for their commitment, their excellence and their integrity.

1

PRINCIPLE NO.

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



A DIVERSE SET OF INITIATIVES FOR HUTCHISON WHAMPOA

“Over the years, Goldman Sachs has been our valued counselor—advising us on key strategic transactions—and this year was no different. For our telecommunications investments, it underwrote our \$2.6 billion offering of 2% notes exchangeable into Vodafone shares. It helped us reduce our credit costs by underwriting a \$1.5 billion global bond offering, one of the largest single-tranche bond offerings ever from Asia.

For our ports business, Goldman Sachs’ relationships helped us negotiate key acquisitions and expand our global footprint. The firm also worked with us as we bolstered our e-commerce holdings. With its global capabilities and deep pool of professional talent, Goldman Sachs continues to be loyal and dedicated to our business.”

*Canning Fok
Group Managing Director
Hutchison Whampoa Limited*

PRINCIPLE NO. **2**

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.



**BRITISH COAL PENSION SCHEMES
ANNIVERSARY**

“During the past year we celebrated the fifth anniversary of our relationship with Goldman Sachs and we continue to be impressed with the quality of its service and commitment to its clients. Of course we had known of the firm’s excellent reputation, but it is always nice to work with a team that lives up to expectations. With approximately \$30 billion in assets, the pension schemes constitute the second largest pension group in the U.K., and Goldman Sachs has managed the vast majority of those assets, all within our

guidelines for service and investment strategy. Goldman Sachs’ excellent risk control systems give us confidence in tight management control. In addition, it has over 200 portfolio professionals in its offices around the world who provide local insights into regions and economies. As a result, year after year, performance has consistently exceeded our benchmarks.”

*David Morgan
Chief Executive Officer
Coal Pension Trustees*

3

PRINCIPLE NO.

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.



SUPERIOR RETURNS TO SHAREHOLDERS

Although going public brought some change, one constant at Goldman Sachs is the focus on creating superior, long-term returns for our owners. Despite dramatic shifts in the business environment since we went public in 1999, our stock price rose 68% from our IPO to the end of fiscal 2001. That compares with a decline in the S&P 500 index of 16% for the same period.

As 2001 demonstrated, our businesses are inherently cyclical. Nevertheless, this year also showed the benefits of having

breadth and diversity in our businesses. The challenging environment led to lower net revenues in key areas like Investment Banking and Equities in 2001. However, our Fixed Income, Currency and Commodities franchise capitalized on favorable market conditions for their businesses, and produced record results. That performance helped Goldman Sachs generate an 18% return on tangible shareholders' equity despite 2001 being a difficult year. We also remained a leader in Mergers and

Acquisitions and Equity Underwriting, which we believe positions us well to generate strong returns in those businesses when the economic environment improves.

4

PRINCIPLE NO.

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.



QUALITY SERVICE FOR OCH-ZIFF CAPITAL

“Superior client service is delivered through consistency and professionalism, and we believe Goldman Sachs to be world-class in this regard. We have worked with Goldman Sachs for many years and rely on its professionals for their market insights, product knowledge and excellent execution capabilities. Although we may do business with a few different firms at one time, Goldman Sachs truly differentiates itself through its specialized sales professionals who understand our concerns

and put the firm’s global resources to bear to make solutions happen very quickly. We draw on their extensive knowledge to help us anticipate the changes we need to make in order to succeed in the current and future market environments.”

*Daniel Och
Senior Managing Member
Och-Ziff Capital Management Group*

5

PRINCIPLE NO.

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.



MEDTRONIC ACQUIRES MINIMED AND MEDICAL RESEARCH GROUP

“In connection with many of our large strategic transactions, Goldman Sachs has played a very important role in helping us achieve our position as the world’s leading medical technology company. In fact, Goldman Sachs’ part in helping to develop a creative financing solution was critical to our recent successful acquisition of MiniMed and Medical Research Group (MRG). By issuing the convertible debt securities to finance the acquisition, we were able to access a new pool of low-cost

capital that enhanced the economics and ultimate closing of the deal. This was the largest-ever convertible transaction in the biotechnology industry. The results have been excellent.”

*Art Collins
President and Chief Executive Officer
Medtronic, Inc.*

6

PRINCIPLE NO.

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.



PINE STREET

As Goldman Sachs has dramatically increased the size and global scope of its operations, we have sharpened our focus on recruiting and developing leadership talent. To serve evolving client needs and to better meet the demands of our growth, we established a leadership training initiative called Pine Street. Pine Street is dedicated to strengthening the culture of the firm, enhancing the success of Goldman Sachs and its clients, and developing world-class leadership and management talent.

Distinguished businesspeople, noted academicians and the firm's own leaders serve as faculty. Pine Street combines formal classroom experiences with extensive mentoring and coaching to establish a common language and skill set of leadership throughout the firm.

PRINCIPLE NO. **7**

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.



GLOBAL LEADERSHIP AND DIVERSITY

Goldman Sachs is strongly committed to being best in class in the area of diversity. We have diverse clients and we manage a broad range of businesses all over the world. To be the best we need the creativity and innovation that diversity provides, and therefore diversity is an ongoing imperative for us that requires our attention and focused efforts.

Consistent with our commitment, we recently established the Office of Global Leadership and Diversity to focus on creating integrated leadership and diversity initiatives across our businesses. These initiatives include recruiting, mentoring, career development and succession planning and seek to ensure that we are attracting, developing and promoting the best talent.

The Office of Global Leadership and Diversity is implementing accountability measures to help us assess our progress in meeting these goals. The Office consists of a central team as well as divisional and regional Leadership and Diversity Managers who will ensure that our efforts are supported, coordinated and effective across the firm.

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.



**ADVISOR TO SINGAPORE
TELECOMMUNICATIONS**

“Goldman Sachs gave us valuable advice on key capital structuring issues as we made strategic acquisitions across the Asia Pacific region. The Goldman Sachs team played a variety of roles on different fronts this year. As a credit rating advisor, Goldman Sachs provided invaluable support in communicating our strengths to the ratings agencies. As joint lead manager on our bond offering, the firm helped us structure and shape the marketing effort for the multi-currency, multi-term offering that proved extremely successful in the international capital

markets. Goldman Sachs understood our strengths and, with sound judgment and creativity, helped bring the bonds to market with an A1/AA- rating and strong demand on three continents.”

*Lee Hsien Yang
President and Chief Executive Officer
Singapore Telecommunications Limited*

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.



REOPENING OF THE FINANCIAL MARKETS FOLLOWING THE SEPTEMBER 11 ATTACK

“At a time when there were no yardsticks for measuring market capacity, the Goldman Sachs team helped us assess investor appetite for several key debt offerings that reopened the market following the attack, including the €5 billion 10-year EuroReference NoteSM. As lead manager, they provided the dedication and insight that helped give us the confidence to go forward.”

*Jerome Lienhard
Senior Vice President
Freddie Mac*

*EuroReference Note is a
service mark of Freddie Mac*

For additional client profiles, please see www.gs.com

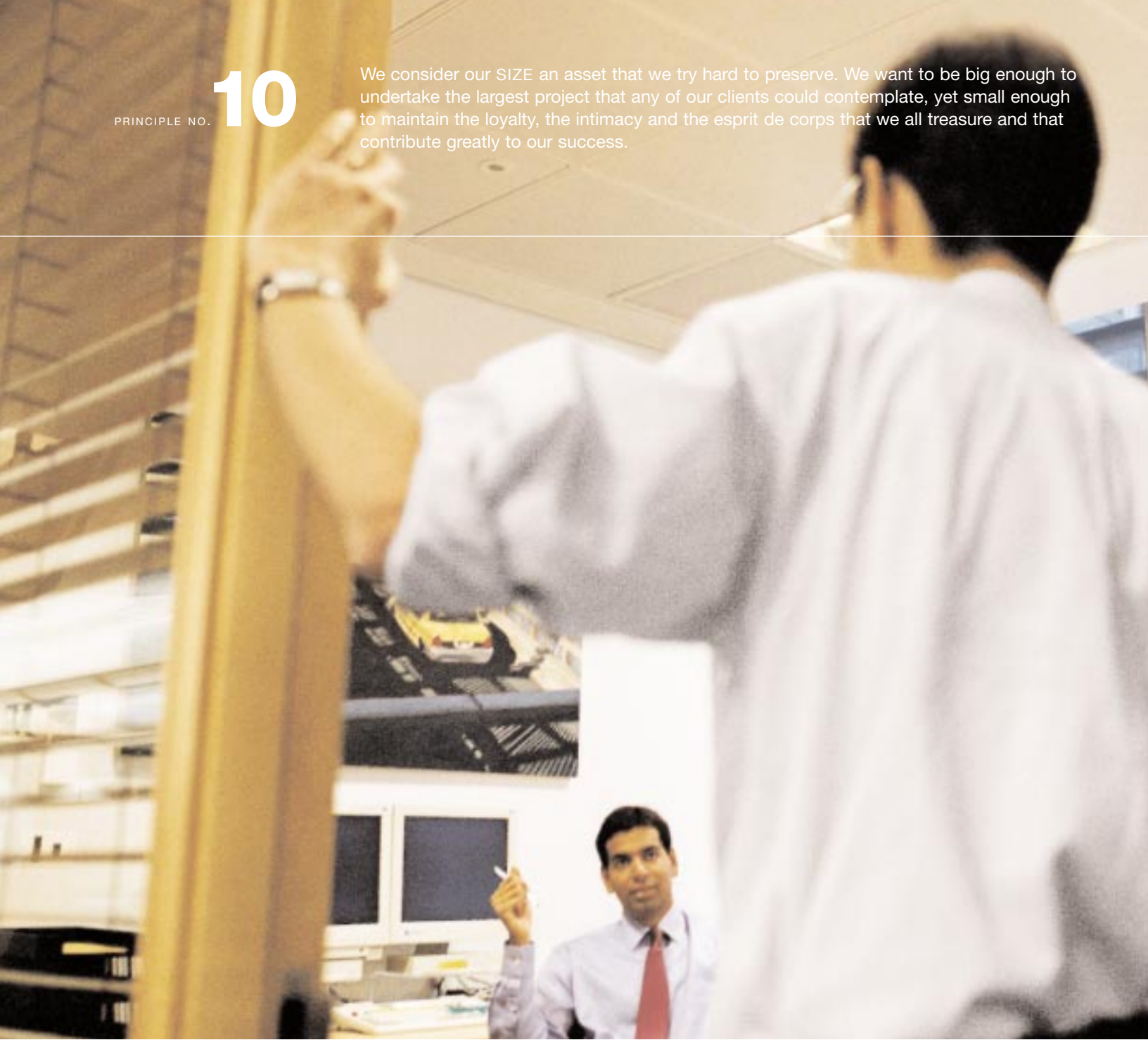
“When we decided to proceed with our IPO following the attack, we felt strongly that Goldman Sachs had the extensive experience and track record to help us complete our deal during trying times. Its team helped communicate the strength of our message to investors and facilitated a road show that gave us exposure to an impressive list of institutional investors. As a result, the issue was extremely successful and we’re very proud of the results.”

*J. Barry Griswell
Chairman, President and CEO
Principal Financial Group*

“In preparation for our IPO, Goldman Sachs people briefed us before each investor meeting, demonstrating deep knowledge of the potential investors. Given that the market for IPOs had completely shut down in the wake of the September 11 tragedy, our results were extraordinary. We upsized the transaction twice and sold over \$2.2 billion of equity, the largest healthcare IPO ever.”

*Larry C. Glasscock
Chief Executive Officer
Anthem Inc.*

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.



COGNIS ACQUISITION

“Although Permira is a large private equity specialist, our acquisition of Cognis was quite unique for us—not only because of its large size and complexity, but because Goldman Sachs was working with us as an advisor, as a co-investor and as a lead arranger on senior secured debt facilities that totaled €1.6 billion. Once the bidding got under way, Goldman Sachs’ understanding of the chemicals industry, as well as its excellent reputation and outstanding relationships in Germany, really helped

differentiate our team from the competition. The Goldman Sachs professionals worked across their own organization and with our people seamlessly. Together we were able to demonstrate to the market that good solutions can be generated even under the most challenging conditions.”

*Thomas Jetter
Partner
Permira*

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.



ESTABLISHMENT OF ALLIED WORLD ASSURANCE HOLDINGS

Seeing a real need and opportunity in the marketplace, American International Group (AIG) and Chubb Corp., along with Goldman Sachs, their long-time advisors, came up with the idea of a new Bermuda-based venture, Allied World Assurance Company (AWAC). AWAC provides insurance products for the business community, responding to a strong upward trend in insurance premiums. In addition to Goldman Sachs acting as placement agent for this transaction, GS Capital Partners

and certain employees of Goldman Sachs invested \$250 million in AWAC and the firm offered its clients an opportunity to invest alongside the firm in this promising venture. AWAC is now an A+ rated insurance and reinsurance organization that combines AIG's global industry leadership with Goldman Sachs' investment and asset management expertise.

"Insurance markets have experienced unprecedented demand for a number of coverages, without which businesses cannot operate prudently. AWAC will supplement existing market capabilities and capacity, providing a broad range of insurance coverages worldwide for businesses that have large and complex risks."

*Maurice "Hank" Greenberg
Chairman
Allied World Assurance Holdings Ltd.*

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.



ALLIANZ COMBINES WITH DRESDNER BANK

Allianz's combination with Dresdner reshaped the financial industry in Germany by simplifying decades-old cross-holdings among four blue-chip groups: Allianz, Dresdner, Bayerische Hypo & Vereinsbank (Hypo Vereinsbank) and Muenchener Rueckversicherungs-Gesellschaft (Munich Re). By combining with Dresdner, Allianz reduced its interest in Munich Re and eliminated its stake in Hypo Vereinsbank, while at the same time acquiring 96.4% ownership of Dresdner Bank, in which it already

had a 21% interest. The merger between two of Germany's financial leaders is an early example of the wave of consolidation that may occur over the next few years.

"Goldman Sachs drew resources from its research, capital markets, investment banking and financial industry groups. The sensitivity of the transactions required a great deal of trust that could be generated only from long-standing relationships and a very strong knowledge of the German market—qualities that the Goldman Sachs team demonstrated consistently throughout the process."

*Prof. Dr. Bernd Fahrholz
Chief Executive Officer
Dresdner Bank*

13

PRINCIPLE NO.

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.



STARBUCKS COFFEE JAPAN GOES PUBLIC

“Our Japanese joint venture operations had been growing very quickly so when we decided to support further growth by going public, most of the major investment banks came knocking on our door. After a rigorous selection process, we chose Goldman Sachs, a decision that the team and the results of the transaction have more than justified.

Execution of the transaction required an understanding of two very different business cultures as well as the effective

balancing and management of the interests of Starbucks and our joint venture partner, Sazaby. With significant involvement by bankers in both Japan and the U.S. and a skillful understanding of the Japanese deal-making process, Goldman Sachs was more than up to the task.

Amidst challenging equity markets in Japan in which 15 IPOs were either cancelled or postponed in the month of September alone, the offering went extremely well. On October 10, Starbucks

Japan shares listed on Nasdaq Japan in a deal that was oversubscribed and priced near the high end of our pricing range.”

*Michael Casey
Chief Financial Officer
Starbucks Corporation*

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.



EDISON INTERNATIONAL CONTENTS WITH THE CALIFORNIA ENERGY CRISIS

“At a critical time, Goldman Sachs helped our Mission Energy subsidiary tap the capital markets for \$1.2 billion. The Goldman Sachs team worked with us to design a structure that allowed us to issue a bond with a significantly better credit rating and raise the funds we needed. Goldman Sachs was critical as the sole bookrunner on our \$800 million bond issue and then further demonstrated its commitment to us by underwriting a \$385 million term loan. With the combined proceeds of the bond

issue and loan, we were able to resolve our pressing cash needs and subsequently bought the time we needed to work out a longer term approach to the California energy crisis and our creditworthiness with the California Public Utilities Commission.”

*Ted Craver
Chief Financial Officer
Edison International*