

KATIE KOCH: Welcome to our continuing series of Talks at GS, where we get to speak to some of the greatest investing organizations in the world. My guest for today's episode is David Blood, who is the Co-Founder and Senior Partner of Generation Investment Management, a pioneer in sustainable investing.

David, thank you so much for being with us today.

DAVID BLOOD: Thank you very much for having us, Katie.

KATIE KOCH: All right, so let's jump in. David, at Generation, you coined and often use the term sustainable capitalism. Can you help us understand what that means and how you incorporate it into the investment approach?

DAVID BLOOD: Well, maybe the best way to think about sustainable capitalism is almost as a short framework. We think of it as long-term, as internalizing externalities, and being holistic. And in many ways, that's how we built our investment framework over the years. We are decidedly long term in terms of how we think about looking at industries and businesses. We believe that long-term investing is best practice.

Secondly, we believe that sustainability is a driver of current and future economies, just as the externality bit. And therefore, should be incorporated in any analysis of industries or companies or economies broadly speaking. And that, thirdly, environmental and social governance factors, ESG factors, are helpful, are tools to help us understand what a company does and how a company does it. So, that's the holistic. We look at businesses in a holistic way to try to understand what it is that they're trying to do. Again, we're assessing quality of businesses.

But an important point to make is we use this framework; we use sustainable capitalism as a framework to understand long-term value creation. We have never thought that our investment framework, our investment approach is about trading values for value. We think it's really a holistic way of thinking about economies and businesses.

KATIE KOCH: From an investing perspective, when you look at this opportunity, can you give us a sense of what you think the scale of this opportunity is relative to history?

DAVID BLOOD: The investment opportunity associated with the

transition to net zero carbon emissions could be the most significant investment opportunity in our lifetimes. Almost everything we've done today will need to change to allow economies and society to get to net zero. What that means is that entire businesses, entire sectors, entire industries need to be transformed.

So, the obvious sectors such as energy, of course, will need to be fundamentally transformed. And it is being transformed even today. But will include other industries including mobility or transportation. It'll include food and agriculture. It will include forestry. It'll include the building, the buildings/built environment. And it will include all the carbon intensive industries such as chemicals and other heavy manufacturing businesses.

But importantly, it will include industries that people don't necessarily associate with the transition to net zero, industries such as technology. Industries such as healthcare. Indeed, in fact, industries like finance and investment management itself will need to fundamentally transform as we transition to net zero.

KATIE KOCH: David, when you look out over the next five to ten years, you've talked about the scale of the opportunity here, are you optimistic that we are going to be able to meet this challenge and end up in a better place for climate, income inequality and also human health?

DAVID BLOOD: Well, yes, we're definitely optimistic because I think we're naturally optimistic folks. But the next five to ten years will be absolutely critical as we think about the transition to net zero, the challenges around a just transition, which is both economic and racial equality, and of course the challenges of human health as we're coming out of the pandemic.

The urgency that we need to address these challenges is clear. It's right in front of us. And the opportunity set that we talked about is also clear and it's in front of us and it's both opportunity to deploy capital and risk as well that we need to consider.

But I think an overriding issue that, perhaps, we should put into the mix here is as we're reflating our economies coming out of the pandemic, it may in fact be a once in a century opportunity to rethink how we see business, capital, civil society, as well as consumers interact. We need to think about

how we build that better in these next five to ten years. There will be critical questions that will be discussed at policy level. But also will translate into capital allocation and business itself.

And then thirdly, there's an increasingly important question around impact. Now, historically all investing has been about risk and return. But all investing has impact. And the question that we're getting increasingly from our clients is whether impact should be measured. And we think it should be. All investing has impact. And we are increasingly being asked to report on our impact.

And so, as we think about the next five to ten years as we're deploying capital into the transition to a net zero economy, a just transition, I think we're going to need to consider exactly the types of businesses we're deploying capital into, exactly what these businesses are doing, and how they're impacting on this transition.

KATIE KOCH: David, can you describe to me the investment culture that you've set out and been able to build at Generation?

DAVID BLOOD: Well, our mission is twofold at Generation, which in some ways defines our culture. First, we are, of course, an investment firm and our mission is to deliver outstanding investment results for our clients. And we've been lucky, of course, but probably I'm pleased to say, that we have been able to deliver strong investment results for our clients.

But very critically our mission is to help promote sustainability in the capital markets. And those, that dual mission if you will, two missions, are really how we've defined our firm and the type of culture that we've developed. And it's interesting because it reinforces itself. On the one hand, as an investment firm delivering outstanding investment results is what your clients are expecting you to do. But to fulfill our mission of advocacy, our mission of helping to promote sustainability in the capital markets, it is critical that we deliver outstanding investment results.

If we are very strong and advocate sustainability but our average investors or pedestrian investors, our voice around sustainability is weaker, it's just not as compelling if you will. And so, we know that investment results are critical to our clients, but equally important critical to our mission of

promoting sustainability in capital markets. And so, this constant reinforcing of how we run our business and how we operate and how we think about sustainability, as well as how we think about investment results has been quite helpful.

And I will say that, and actually one of the things that I'm most excited about in terms of helping to develop and build Generation, is that this is self reinforcing. The mission is so critical to how we attract and retain people. It's critical to, frankly, I think the enthusiasm that all of us as founders continue to have for this business. It's allowed us to have probably greater reach in terms of our investment opportunity set, certainly on our private equity business. Entrepreneurs have been attracted to our message around impact and mission. And it's ultimately, as I said, reinforced itself in ways that when we founded the firm 17 years ago, we didn't fully appreciate the potential possibilities associated with mission, and ultimately, impact.

KATIE KOCH: If you could go back 40 years when you start out in this business and give your younger self some advice, what advice would that be?

DAVID BLOOD: Going back to what we were talking about a little while ago around mission and culture. I think that would be my biggest advice to anyone thinking about starting in finance, or indeed, any aspect of a professional life, is to understand what's important to you. And look for an organization that shares those values and/or that mission, if you will. Don't check your values at the door. That was probably true 40 years ago. But it's absolutely true today. Figure out what's important to you and then find an organization, but what's important in terms of the impact that it has and how it does what it does. And if you can marry an objective or a mission with a culture that you believe in, you can create an extraordinarily important professional experience. And in fact will probably enhance your ability to deliver on your professional responsibilities.

So, mission matters. Don't check your values at the door.

KATIE KOCH: David, it's been a lot of fun to have you on today. Thank you so much for your time.

DAVID BLOOD: Thank you very much, Katie. I've really enjoyed it.

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