Goldman Sachs Chairman and CEO David Solomon on How the COVID-19 Downturn is Different than the 2008 Financial Crisis; Why There is no “Normal” in Commodities Markets Right Now; Early Signs of Economic Recovery and Why Pandemic Will Change the Way Capital is Allocated

Solomon speaks with IHS Markit chairman and CEO Lance Uggla for the latest CERAWeek Conversations – available at www.ceraweek.com/conversations

WASHINGTON, D.C. (May 21, 2020) – Goldman Sachs chairman and CEO David Solomon talks about the swiftness of economic relief by the world’s governments being “laudable”; why restoring balance to energy markets will take time and how the repercussions of pandemic will make capitalism “more inclusive” in the latest edition of the CERAWeek Conversations series

In a conversation with Lance Uggla, chairman and CEO, IHS Markit (NYSE: INFO), Solomon talks about how COVID-19 has impacted his perspectives on leadership, what gives him optimism for the future, how Goldman Sachs is partnering with small businesses to support local economies and more.

The complete video is available at: www.ceraweek.com/conversations

Selected excerpts:

(Edited slightly for brevity only)

- Comparing the current financial crisis to 2008 and governments’ responses:

  “Central banks and governments around the world have responded very quickly to try to dampen the economic impact of the crisis—and I think successfully, and I think laudably, especially with respect to the speed that they’ve responded.
“There are significant parts of the playbook of response that’s similar to the financial crisis. There are some differences, too. One of the biggest differences is it's happening very quickly. I think one of the reasons why it can happen more quickly, and I'll say in the United States, just for starters, is that in the 2008 financial crisis financial institutions were at the center of it. There were issues around lending and bad practices that played a role in exacerbating that. I think the way it's sometimes portrayed doesn’t fully take in the complexity of the scope of what happened, broadly. But here you have a situation where it's affecting everyone in a very even-handed way—and it's hard. So, there's not the political blockage to getting that monetary and fiscal stimulus moving.

“Governments have been very, very quick and swift to get monetary and fiscal stimulus going and that's helped significantly in calming markets, opening markets, and allowing markets to function very smoothly. There's a real benefit to that.

“As we go forward, we're going to start to get into the debate, which I think is appropriate. Governments can’t underwrite all the economic pain that's caused by the decrease in output. So, we've got to find the right balance as we move forward between protecting people and keeping people healthy—being compassionate. But also, being pragmatic about the fact that we need economic activity to also keep people healthy. Now that we're through the first stage of this, I think policymakers are going to have very, very difficult decisions as they try to strike that balance.

“But I think it's been laudable that governments have moved quickly. And I do think right now we're supposed to be doing everything that we can—that is the role of government. And will have to deal with the consequences of that when we get to the other side. And there will be consequences and difficult decisions to make when we navigate forward.”

• Deconstructing the energy market shock and his outlook for markets rebalancing:

“I don't know what normal is when you're talking about commodity prices. Certainly, we have both seen over long periods of time imbalances in commodities and what we have right now is we've got an imbalance. There certainly was action by certain market participants, coupled with a massive demand shut down. And it was a very interesting time to take an action that would put pressure on supply right at the time that we're having a massive demand shutdown. But that's basically what we had.

“We're also in a place where we're running out of storage capacity and therefore there's only one thing to do, which is cut production until you get supply and demand into balance and you free up storage capacity. That obviously puts an enormous amount of downward pressure on prices.
“There's going to be enormous pressure on the price of the commodity here until we get supply and demand in balance. Given the economic picture of the world that's going to take some time.

“So, one of the things for sure that it's going to do is it's going to require a thoughtful process on deciding what capacity to take out. I think it's going to lead certain governments to decide what kind of support they want for that capacity while it's out of service. But ultimately, you've got to get supply and demand into balance. That will happen, but it's going to take some time.”

• **On the pace of recovery in Asia and the contrasting trajectory with Europe and North America:**

“There's no question that economic activity is picking up (in Asia). It is market-by-market. But they're generally ahead of the trajectory of the United States. In Hong Kong this week we had about 30 percent of our employees in the office. My guess is we'll get to about 50 percent there in the coming weeks. Hong Kong has done a very, very good job. They haven't had a case of the virus I think in 22 or 23 days. I would say after a long haul—and you have to remember Hong Kong was also very disrupted by the protests in the fall—after a long haul there's some sense of normalcy returning in Hong Kong, but with caution.

“There's no question when I talk to companies like Nike and Apple that are operating in China, they would say their foot traffic is back to 80 or 90 percent. They would say their business is not quite what foot traffic is, but it's ramping up—Starbucks, etc. You're seeing an improvement in economic activity now and it's encouraging now.

“There are a number of things that have helped there. I think one of the things that has helped—and I think we'd be in a very, very different place in the United States and Europe—masks are part of the culture there. They did at the beginning, they got through the crisis and we were just very late to that in Europe and the U.S. I think that made a big difference. It's not that we would have alleviated this entirely but as this was starting back in February, if people would have started wearing masks that would have been a different impact on the way this scaled, particularly in the New York area where millions of people were coming from Europe on flights into New York, which is really, I think, the key reason why New York has been such an epicenter.”

• **On climate, sustainability and how capital allocation will change in a post-COVID world:**

“I talk broadly about the sustainability platform that we emphasize at Goldman Sachs—and climate is a part of it. But we talked about sustainability in a much broader context and it includes a range of things, including climate, but it includes affordable and accessible healthcare and includes economic opportunity in a more open and equal way. It's a very broad definition—making our society more sustainable for everybody.
“This crisis will accelerate a bunch of the pillars that we put into our broad sustainability platform and I think it will change the allocation of capital. And that's my big point in all this: capital is going to shift to help make our world stronger. We are going to see capital allocation change with respect to energy to try to find ways to have a greener future. We are going to see capital allocation shift around making sure healthcare supply chains are better prepared for something like this, and also to make sure that healthcare more broadly is more accessible, more available for people around the world. We are going to see capital allocation try to make sure that opportunity improves for all and the capitalism broadly is more inclusive. And so, I think this crisis accelerates that. I think that a crisis has a tendency to accelerate trends.

“There's no question that the private sector has been focused on a transition to thinking broadly about how it can use its capital in ways that improve the sustainability of our society. And the reason they do it, that people are thinking about it, is because it's good business. If you want to take care of shareholders you better take care of your people, and you better take care of your planet, and you better take care of your communities. And if you do that your business will be stronger and you'll perform better. That's a trend that's been in place. I think the crisis accelerates it a little bit.

“I think we all want a better, stronger world for everyone. This crisis will amplify that.”

- **On his guiding principles of leadership and organizational management during the COVID-19 crisis:**

“This is first and foremost is a humanitarian crisis. It's a health crisis. We have to take care of people, but we also need to make sure we continue to participate in economic activity because economic activity keeps people healthy. And so I've been spending a lot of time thinking about how to get our organization focused on three simple things that I think really matter at a time like this. They can keep everybody managing forward. And I do think one of the things that's important from a leadership perspective at a time like this is that you communicate a lot, and you communicate clearly.

“At Goldman Sachs, we've been talking a lot about taking care of our people; we've been talking about taking care of our clients; we've been talking about taking care of our communities and making sure as an organization that we're communicating around those three pillars and finding ways to do as much as we can to move forward.”

- **On Goldman Sachs partnering with small businesses to support local economies:**

“We've been very, very supportive of small businesses broadly, especially in the United States and in the U.K. as we're programmed with 10,000 small businesses for over a decade. I think that this is an area where we can use this platform to really
make sure capital is getting to small businesses, especially the very small businesses that don't have access to banks and financial institutions and support.

“This is particularly true in what I'll call underserved communities where the financial infrastructure isn't the same. So, we're trying to get our capital out in loan form to these micro-businesses in the United States who work from community development financial institutions. Both in the U.S. and the U.K. we're trying to find ways that we can use our balance sheet, our capital and our intellectual capital to help these small businesses.”

• **On Goldman Sachs's adapting to the COVID-19 era's new operating environment:**

“I'm incredibly proud of the people of Goldman Sachs for their nimbleness, their flexibility, their agility—the resilience through this crisis. If we were talking back in January when we were last together. If you had said to me “do you think this is going to spread around the world, and if it does, can we get all of our people working from home?” I would have told you I don't know how we'll do it. There's no way we can get most of our people working from home, but we're between 98 to 99 percent of our people operating remotely.

“They've done a good job navigating through that. I'm surprised by how flexible the organization is. I'm thankful for how prepared we were on so many fronts which allowed us to accelerate very quickly to that and I'm humbled be leading a group of people that's really energized and motivated and focused on each other, focused on our clients, focused on our communities at a time that they're all having a difficult struggle.

“People are resilient, society is resilient. It's one of the reasons to be very optimistic when we do get to a place that we can make people secure that they're safe and they're healthy. It's a reason to be very optimistic as to what follows.

• **On the role that organizations can play to promote inclusion and personal support amid the public health crisis:**

“What we can do in an organization like ours, we can provide resources, we can provide tools, we can find advice, we can let people know that everyone's different. There are people that are young and have no other responsibilities and they have more flexibility to be very absorbed with work and there are others that are juggling caring for parents, caring for children, homeschooling children, they have family members that are sick, they have both spouses working and they need more flexibility.

“You've got to offer that flexibility and offer that support and make sure people know they have avenues to ask for help through the organization when they need it and that it's granted in an appropriate way. I think that helps from a mental health perspective enormously—that security I think makes a difference.”
Watch the complete video at: [www.ceraweek.com/conversations](http://www.ceraweek.com/conversations)

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