



THE GOLDMAN SACHS GROUP, INC.  
85 Broad Street  
New York, New York 10004

February 24, 2005

Dear Shareholder:

You are cordially invited to attend the 2005 Annual Meeting of Shareholders of The Goldman Sachs Group, Inc. We will hold the meeting on Wednesday, April 6, 2005 at 9:30 a.m., New York City time, at our offices at 32 Old Slip, New York, New York 10005. We hope that you will be able to attend.

Enclosed you will find a notice setting forth the business expected to come before the meeting, the Proxy Statement, a form of proxy and a copy of our 2004 Annual Report.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted.

Sincerely,

A handwritten signature in cursive script, appearing to read "Henry M. Paulson, Jr.", written in black ink.

Henry M. Paulson, Jr.  
Chairman and Chief Executive Officer



THE GOLDMAN SACHS GROUP, INC.  
85 Broad Street  
New York, New York 10004

**Notice of 2005 Annual Meeting of Shareholders**

February 24, 2005

The 2005 Annual Meeting of Shareholders of The Goldman Sachs Group, Inc. will be held at our offices at 32 Old Slip, New York, New York 10005, on Wednesday, April 6, 2005 at 9:30 a.m., New York City time, for the following purposes:

1. To elect four directors to our Board of Directors for three-year terms (or one-year terms if the amendments referred to in Item 2 are approved);
2. To approve amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of all of our directors;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending November 25, 2005; and
4. To transact such other business as may properly come before the Annual Meeting.

The record date for the determination of the shareholders entitled to vote at the Annual Meeting, or any adjournments or postponements thereof, was the close of business on February 7, 2005. A list of the shareholders of record as of February 7, 2005 will be available for inspection during ordinary business hours at our offices, 85 Broad Street, New York, New York 10004, from March 25, 2005 to the date of our Annual Meeting. The list also will be available for inspection at the Annual Meeting. Additional information regarding the matters to be acted on at the Annual Meeting can be found in the accompanying Proxy Statement.

By Order of the Board of Directors,

A handwritten signature in cursive script that reads "Beverly L. O'Toole".

Beverly L. O'Toole  
Assistant Secretary

New York, New York

PLEASE SUBMIT YOUR PROXY THROUGH THE INTERNET OR BY PHONE  
OR MARK, SIGN, DATE AND RETURN YOUR PROXY  
IN THE ENCLOSED ENVELOPE



THE GOLDMAN SACHS GROUP, INC.  
85 Broad Street  
New York, New York 10004

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**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS**

**April 6, 2005**

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**INTRODUCTION**

This Proxy Statement is furnished in connection with a solicitation of proxies by the Board of Directors of The Goldman Sachs Group, Inc., a Delaware corporation ("Goldman Sachs," "firm," "we" or "our"), to be used at our 2005 Annual Meeting of Shareholders on Wednesday, April 6, 2005 at 9:30 a.m., New York City time, and at any adjournments or postponements of the Annual Meeting. The approximate date on which this Proxy Statement and the accompanying form of proxy are first being sent to shareholders is February 24, 2005.

Holders of our common stock, par value \$0.01 per share (the "Common Stock"), as of the close of business on February 7, 2005, will be entitled to vote at the Annual Meeting. On that date, there were 481,466,205 shares of Common Stock outstanding, each of which is entitled to one vote for each matter to be voted on at the Annual Meeting, held by 5,718 shareholders of record.

If you properly cast your vote, by either voting your proxy through the Internet or telephonically or by executing and returning the enclosed proxy card, and your vote is not subsequently revoked, your vote will be voted in accordance with your instructions. If you execute the enclosed proxy card but do not give instructions, your proxy will be voted as follows: FOR the election of the nominees for directors named below, FOR the approval of the amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of all of our directors, FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending November 25, 2005 and otherwise in accordance with the judgment of the persons voting the proxy on any other matter properly brought before the Annual Meeting.

A vote through the Internet or by telephone may be revoked by executing a later-dated proxy card, by subsequently voting through the Internet or by telephone or by attending the Annual Meeting and voting in person. A shareholder executing a proxy card also may revoke it at any time before it is exercised by giving written notice revoking the proxy to our Secretary at One New York Plaza, 37th Floor, New York, New York 10004, by subsequently filing another proxy bearing a later date or by attending the Annual Meeting and voting in person. Attending the Annual Meeting will not automatically revoke your prior Internet or telephone vote or your proxy.

If you hold shares in "street name" (that is, through a bank, broker or other nominee) and would like to attend the Annual Meeting and vote in person, you will need to bring an account statement or other acceptable evidence of ownership of Common Stock as of the close of business on February 7, 2005, the record date for voting. Alternatively, in order to vote, you may contact the person in whose name your shares are registered, obtain a proxy from that person and bring it to the Annual Meeting.

## **Quorum Requirements**

The holders of a majority of the outstanding shares of Common Stock on February 7, 2005 present in person or represented by proxy and entitled to vote will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions are treated as "present" for quorum purposes.

## **Voting Requirements**

***Election of Directors.*** You may vote "for" or "withhold" with respect to any or all director nominees. The election of directors requires a plurality of the votes cast "for" the election of directors; accordingly, the directorships to be filled at the Annual Meeting will be filled by the nominees receiving the highest number of votes "for." Votes that are "withheld" will be excluded entirely from the vote and will have no effect on the outcome of the vote.

***Amendments to Our Amended and Restated Certificate of Incorporation to Provide for the Annual Election of All of Our Directors.*** You may vote "for," "against" or "abstain" with respect to the amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of all of our directors. The affirmative vote of the holders of not less than 80% of all outstanding shares of Common Stock is required to approve the amendments. Only votes cast "for" a matter constitute affirmative votes. Thus, an abstention will not be treated as a vote cast "for" the proposal and will have the same effect as a vote "against" the proposal.

***Ratification of the Appointment of Independent Auditors.*** You may vote "for," "against" or "abstain" with respect to the ratification of the appointment of our independent auditors. The affirmative vote of a majority of the votes cast "for" or "against" the matter by shareholders entitled to vote at the Annual Meeting is required to ratify the appointment of our independent auditors. Because an abstention is not treated as a vote "for" or "against," it will have no effect on the outcome of the vote for this proposal.

***Broker Authority to Vote.*** Under the rules of the National Association of Securities Dealers, Inc., member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, Inc. ("NYSE"), a member broker who holds shares in street name for customers has the authority to vote on certain items if it has transmitted proxy soliciting materials to the beneficial owner but has not received instructions from that owner. NYSE rules permit member brokers (other than Goldman, Sachs & Co. and any of the other subsidiaries or affiliates of Goldman Sachs that are NYSE member brokers (collectively, "GS&Co.)) that do not receive instructions from their customers to vote on all three of the proposals discussed above in their discretion. In the case of GS&Co., it is NYSE policy that, due to GS&Co.'s relationship with Goldman Sachs, if GS&Co. does not receive voting instructions regarding shares held by it in street name for its customers, it is entitled to vote these shares only in the same proportion as the shares represented by votes cast by all shareholders of record with respect to each proposal.

***Employees' Profit Sharing Retirement Income Plan.*** Pursuant to the terms of The Goldman Sachs Employees' Profit Sharing Retirement Income Plan, any shares beneficially owned through the plan for which voting instructions are not received will be voted in the same proportion as the shares beneficially owned through the plan for which voting instructions are received.

## **Expenses of Solicitation**

We will pay the expenses of the preparation of proxy materials and the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, solicitation may be made by

certain directors, officers or employees of Goldman Sachs or its affiliates telephonically, electronically or by other means of communication and by Georgeson Shareholder Communications Inc., which we have hired to assist in the solicitation and distribution of proxies. Directors, officers and employees will receive no additional compensation for such solicitation, and Georgeson will receive a fee of \$9,000 for its services. We will reimburse brokers, including GS&Co., and other nominees for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

#### **Availability of Certain Documents**

A copy of our 2004 Annual Report to Shareholders is enclosed and a copy of our Policy Regarding Director Independence Determinations is attached as Annex A to this Proxy Statement. **You also may obtain a copy of these documents, our 2004 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC"), our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters for our Audit, Compensation and Corporate Governance and Nominating Committees, without charge, by writing to: The Goldman Sachs Group, Inc., 85 Broad Street, 17th Floor, New York, New York 10004, Attn: Investor Relations.** All of these documents also are available through our website at [http://www.gs.com/investor\\_relations](http://www.gs.com/investor_relations).

#### **Voting Arrangements**

**Shareholders' Agreement.** All employees of Goldman Sachs who participate in The Goldman Sachs Partner Compensation Plan (the "Partner Compensation Plan") and The Goldman Sachs Restricted Partner Compensation Plan (the "Restricted Partner Compensation Plan") are covered persons under our Shareholders' Agreement. The Shareholders' Agreement, among other things, restricts voting of the shares of Common Stock of which a party to the Shareholders' Agreement is the sole beneficial owner (including for this purpose shares of Common Stock held in a joint account with the person's spouse, but excluding any shares acquired pursuant to The Goldman Sachs Employees' Profit Sharing Retirement Income Plan) ("Voting Shares"). The committee that administers the Shareholders' Agreement (the "Shareholders' Committee") may, under certain circumstances, waive the voting provisions of the Shareholders' Agreement.

Prior to any vote of the shareholders of Goldman Sachs, the Shareholders' Agreement requires a separate, preliminary vote of the Voting Shares on each matter on which a vote of the shareholders is proposed to be taken. In elections of directors, each Voting Share will be voted in favor of the election of those persons, equal in number to the number of such positions to be filled, receiving the highest numbers of votes cast by the Voting Shares in the preliminary vote. In other matters, each Voting Share will be voted at the Annual Meeting in accordance with the majority of the votes cast by the Voting Shares in the preliminary vote.

If you are a party to the Shareholders' Agreement, you previously gave an irrevocable proxy to the Shareholders' Committee to vote your Voting Shares at the Annual Meeting, and you directed that the proxy be voted in accordance with the preliminary vote. You also authorized the holder of the proxy to vote on other matters that come before the Annual Meeting as the holder sees fit in his or her discretion in a manner that is not inconsistent with the preliminary vote or that does not frustrate the intent of the preliminary vote.

As of February 7, 2005, 41,718,738 of the outstanding shares of Common Stock are Voting Shares for purposes of the Shareholders' Agreement (approximately 8.7% of the outstanding shares of Common Stock entitled to vote at the Annual Meeting). The preliminary vote with respect to the Voting Shares will be concluded on or about March 25, 2005.

The Shareholders' Agreement will continue in effect until the earlier of January 1, 2050 and the time it is terminated by the vote of 66 $\frac{2}{3}$ % of the covered shares (as defined in the Shareholders' Agreement).

## **Item 1. Election of Directors**

### **Introduction**

Our Board of Directors presently consists of ten members and is divided into three classes. Currently, at each Annual Meeting of Shareholders, a class of directors is elected generally for a term expiring at the Annual Meeting of Shareholders in the third year following the year of its election. If shareholders approve the amendments to our Amended and Restated Certificate of Incorporation, however, as described under Item 2 of this Proxy Statement, the terms of all of our directors, including the directors to be elected at the Annual Meeting, will expire at the 2006 Annual Meeting of Shareholders and the Board of Directors will consist of one class. In either case, each director will hold office until his or her successor has been elected and qualified or until the director's earlier resignation or removal.

In January 2005, the Board of Directors, upon the recommendation of the Corporate Governance and Nominating Committee, nominated Stephen Friedman for election at the Annual Meeting, and approved an increase in the size of the Board of Directors to eleven members if Mr. Friedman is so elected.

The Board of Directors has determined, upon the recommendation of the Corporate Governance and Nominating Committee and in accordance with our Policy Regarding Director Independence Determinations, that the members of our Board of Directors who are not also officers of Goldman Sachs or any of its affiliates (the "Non-Management Directors") and Mr. Friedman are "independent" within the meaning of the rules of the NYSE. All of our directors other than Henry M. Paulson, Jr. and Lloyd C. Blankfein are Non-Management Directors. Moreover, the Board of Directors has determined, upon the recommendation of the Corporate Governance and Nominating Committee, that each member of the Audit Committee (each of whom is a Non-Management Director) is both "independent" and an "audit committee financial expert" within the meaning of the rules of the SEC. Further, the Board of Directors has determined, upon the recommendation of the Corporate Governance and Nominating Committee, that neither any member of the Compensation Committee or the Corporate Governance and Nominating Committee nor Mr. Friedman receives, directly or indirectly, any consulting, advisory or other compensatory fees that would be prohibited under the SEC's audit committee independence standards. All committees of the Board of Directors are comprised solely of independent directors.

### **Annual Meeting**

At the Annual Meeting, our shareholders will be asked to elect as directors John H. Bryan, Mr. Friedman, William W. George and Mr. Paulson to hold office for terms ending at the 2008 Annual Meeting of Shareholders. The remaining seven directors named below will continue in office. However, if our shareholders approve the amendments to our Amended and Restated Certificate of Incorporation, as described under Item 2 of this Proxy Statement, the terms of all of our directors, including the directors to be elected at the Annual Meeting, will expire at the 2006 Annual Meeting of Shareholders.

While the Board of Directors does not anticipate that any of the nominees will be unable to stand for election as a director at the Annual Meeting, if that is the case, proxies will be voted in favor of such other person or persons as may be recommended by our Corporate Governance and Nominating Committee and designated by the Board of Directors.

Messrs. Bryan, George and Paulson currently are members of the Board of Directors, and all of the nominees have been recommended for election or re-election to the Board of Directors by our Corporate Governance and Nominating Committee and approved and nominated for election or re-election by the Board of Directors. Set forth below is information as of February 1, 2005 regarding the nominees and the directors continuing in office, which was confirmed by them for inclusion in this Proxy Statement.

We encourage our directors to attend Annual Meetings of Shareholders and believe that attendance at Annual Meetings is just as important as attendance at meetings of the Board of Directors and its committees. In fact, we typically schedule Board of Directors and committee meetings to coincide with the dates of our Annual Meetings. All of our directors attended last year's Annual Meeting held on March 31, 2004.

### **Nominees for Election to the Board of Directors for a Three-Year Term Expiring in 2008**

John H. Bryan

Director since November 1999

Mr. Bryan, age 68, is the retired Chairman and Chief Executive Officer of, and currently serves as a consultant to, Sara Lee Corporation. He served as its Chief Executive Officer from 1975 to June 2000 and its Chairman of the Board from 1976 until his retirement in October 2001. He is on the boards of the following public companies in addition to Goldman Sachs: BP p.l.c. and General Motors Corporation. Mr. Bryan is the past Chairman of the Grocery Manufacturers of America, Inc. and the past Vice Chairman and a current member of The Business Council. He also served as Co-Chairman of the World Economic Forum's annual meetings in 1994, 1997 and 2000. In addition, Mr. Bryan is affiliated with certain non-profit organizations, including as a trustee of the University of Chicago, Chairman of the Board of Trustees of The Art Institute of Chicago, Chairman of the Board of Directors of Millennium Park, Inc. and the past Chairman and a current member of The Chicago Council on Foreign Relations; he is also the past Chairman of Catalyst.

Stephen Friedman

Mr. Friedman, age 67, served as Assistant to the President for Economic Policy and Director of the National Economic Council from December 2002 until December 2004. From 1998 until December 2002, Mr. Friedman was a senior principal of Marsh & McLennan Capital Corp. He retired as Senior Partner and Chairman of the Management Committee of The Goldman Sachs Group, L.P., our predecessor, in 1994, having joined the firm in 1966. Mr. Friedman is not on the board of any public company. Mr. Friedman is known to certain members of our Corporate Governance and Nominating Committee because he served on our Board of Directors from May until December 2002.

William W. George

Director since December 2002

Mr. George, age 62, was Chief Executive Officer of Medtronic, Inc. from May 1991 to May 2001 and its Chairman of the Board from April 1996 until his retirement in April 2002. He joined Medtronic in 1989 as President and Chief Operating Officer. Mr. George is currently a Professor of Management Practice at the Harvard Business School and was formerly Professor of Leadership and Governance at the International Institute for Management Development from January 2002 until May 2003, Visiting Professor of Technology Management at the Ecole Polytechnique Fédérale de Lausanne from January 2002 until May 2003 and an Executive-in-Residence at the Yale School of Management from September 2003 through December 2003. Mr. George is on the boards of the following public companies in addition to Goldman Sachs: Target Corporation and Novartis AG. He is also Chairman of the Board of Minnesota Thunder Professional Soccer. In addition, he is affiliated with certain non-profit organizations, including as Chairman of the Global Center for Leadership and Business Ethics and as a member of the Carnegie Endowment for International Peace.

Henry M. Paulson, Jr.

Director since August 1998

Mr. Paulson, age 58, has been our Chairman and Chief Executive Officer since May 1999, and a director since August 1998. He was Co-Chairman and Chief Executive Officer or Co-Chief Executive Officer of The Goldman Sachs Group, L.P. from June 1998 to May 1999, and served as Chief Operating Officer from December 1994 to June 1998. Mr. Paulson is not on the board of any public company other than Goldman Sachs. He is affiliated with certain non-profit organizations, including as a member of the Board of Directors of Catalyst. He also serves on the Advisory Board of the J.L. Kellogg Graduate School of Management at Northwestern University and is a member of the Board of the Dean's Advisors of the Harvard Business School. Mr. Paulson is a member of the Advisory Board of the Tsinghua University School of Economics and Management and a member of the Governing Board of the Indian School of Business. He is also Chairman of the Board of Governors of The Nature Conservancy, Co-Chairman of the Asia/Pacific Council of The Nature Conservancy and Chairman Emeritus of The Peregrine Fund, Inc.

## **Directors' Recommendation**

The Board of Directors unanimously recommends a vote FOR the election of Messrs. Bryan, Friedman, George and Paulson to the Board of Directors.

### **Directors Continuing in Office — Term Expiring in 2006**

Lloyd C. Blankfein

Director since April 2003

Mr. Blankfein, age 50, has been our President and Chief Operating Officer since January 2004, and a director since April 2003. Prior to that, from April 2002 until January 2004, he was a Vice Chairman of Goldman Sachs, with management responsibility for the Fixed Income, Currency and Commodities Division ("FICC") and the Equities Division. Prior to becoming a Vice Chairman, he had been Co-Head of FICC since its formation in 1997. From 1994 until then, he headed or co-headed the J. Aron Currency and Commodities Division. Mr. Blankfein is not on the board of any public company other than Goldman Sachs. He is affiliated with certain non-profit organizations, including as Co-Chair of the Harvard University Financial Aid Task Force and as a member of the Executive Committee of the Harvard University Committee on University Resources, the Board of Trustees of the New York Historical Society, the Board of Overseers of the Weill Medical College of Cornell University and the Board of Directors of the Partnership for New York City and The Robin Hood Foundation.

Edward M. Liddy

Director since June 2003

Mr. Liddy, age 59, has been Chairman, President and Chief Executive Officer of The Allstate Corporation, the parent of the Allstate Insurance Company, since January 1999. He served as President and Chief Operating Officer of The Allstate Corporation from January 1995 until January 1999. Prior to then, Mr. Liddy was Senior Vice President and Chief Financial Officer of Sears, Roebuck and Co., where he held a variety of senior operating and financial positions since 1988. Mr. Liddy is on the boards of the following public companies in addition to Goldman Sachs: 3M Company and The Kroger Co. He is also affiliated with certain non-profit organizations, including as Chairman of Northwestern Memorial Hospital and as a director of Catalyst and the Boys & Girls Clubs of America.

Ruth J. Simmons

Director since January 2000

Dr. Simmons, age 59, has been President of Brown University since July 2001. She was President of Smith College from 1995 to June 2001 and Vice Provost of Princeton University from 1992 to 1995. Dr. Simmons is on the boards of the following public companies in addition to Goldman Sachs: Pfizer Inc. and Texas Instruments Inc. She also serves on the Directors' Advisory Council of MetLife, Inc. In addition, Dr. Simmons is affiliated with certain non-profit organizations, including as a member of the American Academy of Arts and Sciences, the American Philosophical Society, the Business-Higher Education Forum, the Council on Foreign Relations, and the Board of Directors of the Alliance for Lupus Research.

### **Directors Continuing in Office — Term Expiring in 2007**

Lord Browne of Madingley

Director since May 1999

Lord Browne, age 56, was appointed an executive director in 1991 and Group Chief Executive of BP p.l.c. (under its former name, The British Petroleum Company p.l.c.) in 1995. He is on the board of one public company in addition to Goldman Sachs and BP p.l.c.: Intel Corporation. Lord Browne is also a trustee of the British Museum, a non-profit organization.

Claes Dahlbäck

Director since June 2003

Mr. Dahlbäck, age 57, has been the nonexecutive Chairman of Investor AB, a Swedish-based investment company, since April 2002 and is also the Executive Vice Chairman of W Capital Management, an investment company owned by the Wallenberg Foundations. He served as Vice Chairman of Investor AB from April 1999 until April 2002 and from 1978 until April 1999 was its President and Chief Executive Officer. He also served as an international advisor to Goldman Sachs from May 1999 until February 2002. Mr. Dahlbäck is on the board of one public company in addition to Goldman Sachs: Stora Enso Oyj.

James A. Johnson

Director since May 1999

Mr. Johnson, age 61, has been a Vice Chairman of Perseus, L.L.C., a merchant banking and private equity firm, since April 2001. From January 2000 to March 2001, he served as Chairman and Chief Executive Officer of Johnson Capital Partners, a private investment company. From January through December 1999, he was Chairman of the Executive Committee of Fannie Mae, from February 1991 through December 1998, he was Chairman and Chief Executive Officer of Fannie Mae and from 1990 through February 1991, he was Vice Chairman of Fannie Mae. Mr. Johnson is on the boards of the following public companies in addition to Goldman Sachs: Gannett Co., Inc., KB Home, Target Corporation, Temple-Inland, Inc. and UnitedHealth Group Inc. In addition, he is affiliated with certain non-profit organizations, including as Chairman Emeritus of the John F. Kennedy Center for the Performing Arts, as a member of the American Academy of Arts and Sciences, the American Friends of Bilderberg, the Council on Foreign Relations and The Trilateral Commission and as an honorary trustee of The Brookings Institution.

Lois D. Juliber

Director since March 2004

Ms. Juliber, age 56, has been a Vice Chairman of the Colgate-Palmolive Company since July 2004. She served as Chief Operating Officer of the Colgate-Palmolive Company from March 2000 to July 2004, Executive Vice President — North America and Europe of the Colgate-Palmolive Company from 1997 until March 2000 and President of Colgate North America from 1994 to 1997. Ms. Juliber is on the board of one public company in addition to Goldman Sachs: E. I. Du Pont De Nemours and Company. She is affiliated with certain non-profit organizations, including Girls Incorporated, and is also a trustee of Wellesley College.

There are no family relationships among any directors, nominees or executive officers of Goldman Sachs.

#### **Board of Directors' Meetings and Committees**

Our Board of Directors held seven meetings during our fiscal year ended November 26, 2004. Each of our directors attended at least 75% of the meetings of the Board of Directors and the committees of the Board of Directors on which he or she served during fiscal 2004 (in each case, which were held during the period for which he or she was a director). Attendance at Board of Directors and committee meetings during fiscal 2004 averaged 97.3% for our directors as a group. Our Board of Directors has three standing committees, each of which is described below.

#### **Audit Committee**

Lord Browne is the Chair, and Ms. Juliber and Messrs. Bryan, Dahlbäck, George, Johnson and Liddy are the other members, of our Audit Committee. The primary purposes of our Audit Committee are to: (a) assist the Board of Directors in its oversight of (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) our independent auditors' qualifications and independence; (iv) the performance of our internal audit function and independent auditors; and (v) our management of market, credit, liquidity and other financial and operational risks; (b) decide whether to appoint, retain or terminate our independent auditors and to pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors; and (c) prepare the report required

to be prepared by the Audit Committee pursuant to the rules of the SEC for inclusion in our annual proxy statement. Among its other duties and responsibilities set forth in its charter, the Audit Committee also reviews and monitors the adequacy of structures, policies and procedures that we have developed to assure the integrity of research by our investment research professionals.

During fiscal 2004, our Audit Committee met eleven times, including six executive sessions, five private sessions with management and five private sessions with each of the independent auditors and the Director of Internal Audit. In fiscal 2004, the Chair of the Audit Committee also had six meetings with our Director of Internal Audit, seven meetings with each of our Chief Financial Officer and Controller, four meetings with our General Counsel and three meetings with our Global Head of Compliance. The Audit Committee and our Board of Directors have established a procedure whereby complaints or concerns with respect to accounting, internal controls and auditing matters may be submitted to the Audit Committee, which is described under "Other Matters — Policies on Reporting of Concerns Regarding Accounting and Other Matters and on Communicating with Non-Management Directors." Our Board of Directors and the Corporate Governance and Nominating Committee have determined that each member of the Audit Committee is "independent" within the meaning of the rules of both the NYSE and the SEC. Our Board of Directors has also determined that each member of the Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined under the rules of the NYSE, and is an "audit committee financial expert" within the meaning of the rules of the SEC. In that connection, in addition to the information set forth above regarding the background of each director, Lord Browne currently serves on the Audit Committee of Intel Corporation; Mr. Bryan currently serves on the Audit Committee of BP p.l.c., and was previously a member of the Audit Committee of General Motors Corporation and the Audit and Risk Management Committee of Bank One Corporation; Mr. Dahlbäck currently serves on the Audit Committees of Investor AB and Gambro AB; Mr. George currently serves on the Audit Committee of Target Corporation; Mr. Johnson was previously a member of the Audit Committee of UnitedHealth Group Inc.; and Mr. Liddy is currently the Chair of the Audit Committee of 3M Company. The report of the Audit Committee is included in this Proxy Statement under "Report of the Audit Committee."

#### **Compensation Committee**

Mr. Johnson is the Chair, and Lord Browne, Messrs. Bryan, Dahlbäck, George and Liddy, Ms. Juliber and Dr. Simmons are the other members, of our Compensation Committee. Each member of our Compensation Committee is "independent" within the meaning of the rules of the NYSE, and, as required by the Compensation Committee Charter, no member receives, directly or indirectly, any consulting, advisory or other compensatory fees that would be prohibited under the SEC's audit committee independence standards. The primary purposes of our Compensation Committee are to: (a) determine and approve the compensation of our Chief Executive Officer; (b) make recommendations to the Board of Directors with respect to executive compensation (including compensation of non-Chief Executive Officer executive officers) and our incentive-compensation and equity-based plans that are subject to the approval of the Board of Directors; (c) assist the Board of Directors in its oversight of the development, implementation and effectiveness of our policies and strategies relating to our human capital management function, including but not limited to those policies and strategies regarding recruiting, retention, career development and progression, management succession (other than within the purview of the Corporate Governance and Nominating Committee), diversity and employment practices; and (d) prepare any report on executive officer compensation required by the rules and regulations of the SEC. The Compensation Committee also administers The Goldman Sachs Amended and Restated Stock Incentive Plan (the "Stock Incentive Plan") and the Restricted Partner Compensation Plan, and oversees the committee appointed by the Board of Directors to administer the Partner Compensation Plan.

During fiscal 2004, our Compensation Committee met five times. In addition, Mr. Johnson met with the chairs of our internal compensation policy committee five times. The report of the Compensation Committee is included in this Proxy Statement under "Report of the Compensation Committee on Executive Compensation."

## **Corporate Governance and Nominating Committee**

Mr. Bryan is the Chair, and Lord Browne, Messrs. Dahlbäck, George, Johnson and Liddy, Ms. Juliber and Dr. Simmons are the other members, of our Corporate Governance and Nominating Committee. Each member of our Corporate Governance and Nominating Committee is “independent” within the meaning of the rules of the NYSE, and, as required by the Corporate Governance and Nominating Committee Charter, no member receives, directly or indirectly, any consulting, advisory or other compensatory fees that would be prohibited under the SEC’s audit committee independence standards.

The primary purposes of the Corporate Governance and Nominating Committee are to: (a) recommend individuals to the Board of Directors for nomination, election or appointment as members of the Board of Directors and its committees, consistent with the criteria included in our Corporate Governance Guidelines; (b) oversee the evaluation of the performance of the Board of Directors and our Chief Executive Officer; (c) review and concur in the Chief Executive Officer’s and other senior management’s succession plans; and (d) take a leadership role in shaping our corporate governance, including developing, recommending to the Board of Directors and reviewing on an ongoing basis the corporate governance principles and practices that should apply to Goldman Sachs. In identifying and recommending nominees for positions on the Board of Directors, the Corporate Governance and Nominating Committee places primary emphasis on the criteria set forth under “Selection of Directors — Nominations and Appointments” in our Corporate Governance Guidelines, namely: (a) judgment, character, expertise, skills and knowledge useful to the oversight of our business; (b) diversity of viewpoints, backgrounds, experiences and other demographics; (c) business or other relevant experience; and (d) the extent to which the interplay of the nominee’s expertise, skills, knowledge and experience with that of other members of the Board of Directors will build a board that is effective, collegial and responsive to the needs of Goldman Sachs.

The Corporate Governance and Nominating Committee does not set specific, minimum qualifications that nominees must meet in order for the Committee to recommend them to the Board of Directors, but rather believes that each nominee should be evaluated based on his or her individual merits, taking into account the needs of Goldman Sachs and the composition of the Board of Directors. Members of the Corporate Governance and Nominating Committee discuss and evaluate possible candidates in detail, and suggest individuals to explore in more depth. Outside consultants also have been employed to help in identifying candidates. Once a candidate is identified whom the Committee wants to seriously consider and move toward nomination, the Chair of the Corporate Governance and Nominating Committee enters into a discussion with that candidate. The Corporate Governance and Nominating Committee will consider candidates recommended by shareholders. The policy adopted by the Corporate Governance and Nominating Committee provides that candidates recommended by shareholders are given appropriate consideration in the same manner as other candidates. Shareholders who wish to submit candidates for director for consideration by the Corporate Governance and Nominating Committee for election at our 2006 Annual Meeting of Shareholders may do so by submitting in writing such candidates’ names, in compliance with the procedures and along with the other information required by our By-laws, to John F. W. Rogers, the Secretary of our Board of Directors, at The Goldman Sachs Group, Inc., 85 Broad Street, 30th Floor, New York, New York 10004 between December 7, 2005 and January 6, 2006.

During fiscal 2004, our Corporate Governance and Nominating Committee met five times. The report of the Corporate Governance and Nominating Committee is included in this Proxy Statement under “Report of the Corporate Governance and Nominating Committee.”

## **Non-Management Directors Meetings**

In addition to the meetings of the committees of the Board of Directors described above, in connection with the Board of Directors meetings, our Non-Management Directors met five times in executive session during fiscal 2004. Mr. Bryan, Chair of our Corporate Governance and Nominating Committee, presided at these executive sessions.

## Employment Contracts and Change of Control Arrangements

We have entered into employment agreements with, among others, our directors who are employees and our executive officers. Each of these employment agreements requires (unless waived by Goldman Sachs) that the employee devote his or her entire working time to the business and affairs of Goldman Sachs and its affiliates and subsidiaries; each agreement generally may be terminated at any time for any reason by either the employee or Goldman Sachs on 90 days' prior notice.

The restricted stock units ("RSUs") and stock options ("Options") granted to our executive officers as described under "Executive Compensation" provide that if a change in control occurs *and* within 18 months thereafter the grantee's employment is terminated other than for "cause" (as defined in the applicable award agreement and/or the Stock Incentive Plan) or the grantee terminates employment for "good reason" (as defined in the applicable award agreement and/or the Stock Incentive Plan):

- any unvested outstanding RSUs and Options will become vested;
- all outstanding Options will become exercisable; and
- the Common Stock underlying any outstanding RSUs will be delivered.

"Change in control" means the consummation of a business combination involving Goldman Sachs, unless immediately following the business combination, either:

- at least 50% of the total voting power of the surviving entity or its parent entity, if applicable, is represented by securities of Goldman Sachs that were outstanding immediately prior to the transaction (or by shares into which the securities of Goldman Sachs are converted in the transaction); or
- at least 50% of the members of the board of directors of the surviving entity, or its parent entity, if applicable, following the transaction were, at the time of the Board of Directors' approval of the execution of the initial agreement providing for the transaction, directors of Goldman Sachs on the date of grant of the RSUs and Options (including directors whose election or nomination was approved by two-thirds of the incumbent directors).

## Director Compensation

For fiscal 2004, non-employee director compensation consisted of a \$75,000 annual retainer and a \$25,000 committee chair fee, which were paid in fully vested RSUs on December 14, 2004. The number of RSUs awarded (720 RSUs in respect of the annual retainer, other than in the case of Ms. Juliber, who joined the Board of Directors after the start of the 2004 fiscal year and received a prorated annual retainer, and 240 RSUs in respect of the committee chair fee, if applicable) was determined by dividing the dollar amount by the average closing price-per-share of the Common Stock on the NYSE over the ten trading-day period up to and including the last day of fiscal 2004 (\$104.27).

For fiscal 2004, non-employee directors also received, at their election, an annual equity grant on December 17, 2003 consisting of one of the following: 3,000 fully vested RSUs; 1,500 fully vested RSUs and 4,500 fully vested Options; or 9,000 fully vested Options. Each of Lord Browne, Mr. Liddy and Dr. Simmons received all RSUs, each of Messrs. Bryan, Dahlbäck and George received 1,500 RSUs and 4,500 Options, and Mr. Johnson received all Options. Ms. Juliber received a prorated amount of the annual equity grant (2,000 fully vested RSUs) on April 5, 2004 and a prorated amount of the annual retainer (\$50,000) in fully vested RSUs (480 RSUs), in each case, based on the starting date of her directorship. RSUs granted to non-employee directors provide for delivery of the underlying shares of Common Stock on the last business day in May in the year following the year of the non-employee director's retirement from the Board of Directors. Options granted to non-employee directors generally become exercisable on the earlier of: (a) the first trading day in January three years after the grant; and (b) the date on which the non-employee director ceases to be a member of the Board of Directors.

Non-employee directors will receive the annual retainer and committee chair fees for fiscal 2005 either in cash or through a grant of fully vested RSUs. With respect to the fiscal 2005 annual equity grant, which was made as of December 14, 2004, each of the non-employee directors received 3,000 fully vested RSUs.

In January 2004, the Board of Directors adopted, upon the recommendation of the Corporate Governance and Nominating Committee, a policy on stock ownership retention by Goldman Sachs' non-employee directors. In general, this policy requires non-employee directors to beneficially own at least 5,000 shares of Common Stock or fully vested RSUs within two years of becoming a director.

Non-employee directors receive no compensation from Goldman Sachs other than directors' fees.

Directors who are also employees of Goldman Sachs or an affiliate receive no compensation for serving as directors.

### Executive Compensation

The following table sets forth for fiscal 2004, fiscal 2003 and fiscal 2002 the compensation for our Chief Executive Officer and for each of our four most highly compensated executive officers during fiscal 2004, other than the Chief Executive Officer, serving as executive officers at the end of fiscal 2004. These five persons are referred to collectively as the "Named Executive Officers."

#### SUMMARY COMPENSATION TABLE

Named Executive Officer	Year	Annual Cash Compensation		Long-Term Compensation Awards		All Other Compensation (c)
		Salary	Bonus	Restricted Stock Unit Awards (a)	Securities Underlying Options (b)	
Henry M. Paulson, Jr. Chairman of the Board and Chief Executive Officer	2004	\$600,000	\$ 0	\$29,150,028	0	\$39,331
	2003	\$600,000	\$ 0	\$20,754,337	0	\$46,242
	2002	\$600,000	\$ 6,253,500	\$ 2,603,735	99,039	\$54,649
Lloyd C. Blankfein President and Chief Operating Officer	2004	\$600,000	\$14,995,500	\$13,882,598	0	\$51,244
	2003	\$600,000	\$10,244,500	\$ 9,291,128	0	\$63,997
	2002	\$600,000	\$ 8,253,500	\$ 3,619,344	137,670	\$84,686
David A. Viniar Executive Vice President and Chief Financial Officer	2004	\$600,000	\$ 9,745,500	\$ 8,632,526	0	\$51,244
	2003	\$600,000	\$ 6,224,500	\$ 5,221,660	0	\$63,997
	2002	\$600,000	\$ 3,753,500	\$ 1,334,244	50,751	\$84,686
Robert S. Kaplan Vice Chairman	2004	\$600,000	\$ 8,995,500	\$ 7,882,500	0	\$33,314
	2003	\$600,000	\$ 6,494,500	\$ 5,475,984	0	\$37,275
	2002	\$600,000	\$ 4,003,500	\$ 1,461,224	55,581	\$39,479
Suzanne Nora Johnson Vice Chairman	2004	\$600,000	\$ 9,017,500	\$ 7,882,500	0	\$17,331
	2003	\$600,000	\$ 4,767,500	\$ 3,695,621	0	\$23,242
	2002	\$600,000	\$ 2,772,500	\$ 826,479	31,437	\$35,649

(a) The values of the RSUs shown in the table (which were granted for fiscal 2004, fiscal 2003 and fiscal 2002) were determined, respectively, by multiplying the number of RSUs awarded to each Named Executive Officer by the closing price-per-share of Common Stock on the NYSE on November 26, 2004 (\$104.84), our 2004 fiscal year-end, for RSUs granted on December 14, 2004, on November 28, 2003 (\$96.08), our 2003 fiscal year-end, for RSUs granted on December 17, 2003 (on November 28, 2003 for Ms. Nora Johnson), and on November 29, 2002 (\$78.87), our 2002 fiscal year-end, for RSUs granted on December 13, 2002 (on November 29, 2002 for Ms. Nora Johnson). The number of RSUs awarded to each Named Executive Officer for fiscal 2004 was determined by dividing the dollar amount to be granted as an equity-based award by

\$104.84 (the closing price-per-share of the Common Stock on the NYSE on November 26, 2004, our 2004 fiscal year-end). In general, 40% of the RSUs granted for fiscal 2004 were vested on the grant date, with the remainder vesting on November 30, 2007. In general, 25% of the RSUs granted for fiscal 2003 were vested on the grant date, with the remainder vesting on November 24, 2006. In general, 25% of the RSUs granted for fiscal 2002 were vested on the grant date, with the remainder vesting on November 25, 2005. RSUs granted for fiscal 2004, fiscal 2003 and fiscal 2002 generally provide for delivery of the underlying shares of Common Stock in January 2008, January 2007 and January 2006, respectively.

In general, non-vested RSUs are forfeited on termination of employment, except in limited cases such as "retirement," and RSUs, whether or not vested, may be forfeited in certain circumstances, such as if the holder's employment is terminated for "cause." Each Named Executive Officer currently meets the requirements under the RSUs for "retirement." Each RSU includes a "dividend equivalent right," pursuant to which the holder of the RSU is entitled to receive an amount equal to any ordinary cash dividends paid to the holder of a share of Common Stock approximately when those dividends are paid to shareholders.

The aggregate value of all Common Stock underlying all RSUs awarded to and held by each of the Named Executive Officers at the end of fiscal 2004 (including the RSUs granted for fiscal 2004), determined based on the closing price-per-share of the Common Stock on the NYSE on November 26, 2004 (\$104.84), and the number of outstanding RSUs awarded to each of the Named Executive Officers in the aggregate since our initial public offering and for each of fiscal 2004, fiscal 2003 and fiscal 2002, respectively, were: Mr. Paulson — \$55,257,704, 527,067, 278,043, 216,011 and 33,013; Mr. Blankfein — \$28,831,944, 275,009, 132,417, 96,702 and 45,890; Mr. Viniar— \$16,103,843, 153,604, 82,340, 54,347 and 16,917; Mr. Kaplan — \$15,800,122, 150,707, 75,186, 56,994 and 18,527; and Ms. Nora Johnson — \$13,013,684, 124,129, 75,186, 38,464 and 10,479.

- (b) For fiscal 2002, each Named Executive Officer received a grant of Options on December 13, 2002 (on November 29, 2002 for Ms. Nora Johnson) with an exercise price of \$78.87, the closing price-per-share of Common Stock on the NYSE on November 29, 2002, our 2002 fiscal year-end. One-quarter of these Options were vested on the grant date, with the remainder generally vesting on November 25, 2005. These Options generally become exercisable in January 2006 and expire on November 30, 2012.
- (c) Fiscal 2004 includes Money Purchase Pension Plan contribution, Term Life Insurance premium, Goldman Sachs Employees' Profit Sharing Retirement Income Plan contribution and executive medical and dental plan premium payments of: Mr. Paulson — \$22,000, \$162, \$5,000 and \$12,169; Mr. Blankfein — \$22,000, \$162, \$5,000 and \$24,082; Mr. Viniar — \$22,000, \$162, \$5,000 and \$24,082; Mr. Kaplan — \$22,000, \$162, \$5,000 and \$6,152; and Ms. Nora Johnson — \$0, \$162, \$5,000 and \$12,169.

Fiscal 2003 includes Money Purchase Pension Plan contribution, Term Life Insurance premium, Goldman Sachs Employees' Profit Sharing Retirement Income Plan contribution and executive medical and dental plan premium payments of: Mr. Paulson — \$23,000, \$176, \$5,000 and \$18,066; Mr. Blankfein — \$23,000, \$176, \$5,000 and \$35,821; Mr. Viniar — \$23,000, \$176, \$5,000 and \$35,821; Mr. Kaplan — \$23,000, \$176, \$5,000 and \$9,098; and Ms. Nora Johnson — \$0, \$176, \$5,000 and \$18,066.

Fiscal 2002 includes Money Purchase Pension Plan contribution, Term Life Insurance premium, Goldman Sachs Employees' Profit Sharing Retirement Income Plan contribution and executive medical and dental plan premium payments of: Mr. Paulson — \$19,000, \$185, \$5,000 and \$30,464; Mr. Blankfein — \$19,000, \$185, \$5,000 and \$60,501; Mr. Viniar — \$19,000, \$185, \$5,000 and \$60,501; Mr. Kaplan — \$19,000, \$185, \$5,000 and \$15,294; and Ms. Nora Johnson — \$0, \$185, \$5,000 and \$30,464.

