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How to See E.S.G. Funds As Stocks Fall

By Ron Lieber
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Mr. Musk trashed E.S.G. investing. The S.E.C. is investigating Goldman Sachs's move into the sector. In a falling market, what should investors consider?

Any time the stock market falls, investors are likely to rethink nearly everything.

The current gut check comes at a point in the evolution of the investing industry when assets in so-called E.S.G. funds have risen 38 percent in the past year, to $2.7 trillion by the end of March, according to Morningstar Direct. Professionals overlay all manner of rules and screens for the investments they pick, using climate, diversity or other data to construct what are now over 6,000 funds worldwide.

There is a cost for consciousness: The funds often have high fees that can reduce returns if the investments don't do better than whatever alternatives you reject. And there's a fair bit of confusion about what the term E.S.G. -- short for environmental, social and governance -- means in practice.

That can lead to episodes like one last month when Elon Musk called the entire industry a ''scam,'' after S&P Global had the temerity to remove Tesla from an E.S.G. index. S&P did this, it said, in part because of accusations of racial discrimination and other worker mistreatment.

Meanwhile, the Securities and Exchange Commission is frantically trying to catch up, investigating Goldman Sachs and other big banks and questioning whether some are slapping E.S.G. labels on funds that may not deserve them to make a grab for investor assets.

To try to help everyday investors make sense of this, I turned to two professionals who have spent a fair bit of time vetting wannabe E.S.G. investments.

The first is Amy Domini, 72, the founder and chair of Domini Impact Investments and a pioneer in the E.S.G. field. The second is Rachel Robasciotti, 43, the founder and chief executive of Adasina Social Capital, which describes itself as an ''investment and financial activism'' firm.

Here's what they had to say.

RON LIEBER: What's the most accurate definition of E.S.G. today, and how has it changed?

AMY DOMINI: Before we start, is that the preferred vocabulary? When I got started it was ''ethical investing,'' but I've lost so many vocabulary fights in my life.

I view it as providing a more robust set of material data points from which an investment adviser can make a decision.

And I view it as fulfillment of a fiduciary obligation. Assets aren't being managed to the greatest interest of beneficiaries if, in fact, they can't breathe or life is too dangerous at the end of their wealth building. So I see it as a means to an end, and that end is a planet that is livable -- and lives worth living. And I see it as a strategy that explicitly acknowledges that investors have a role to play in providing these outcomes to the world.

LIEBER: Rachel, you were familiar with Amy's funds. Did you come to a different conclusion?

RACHEL ROBASCIOTTI: We call our work ''social justice investing.'' It's the deep integration of four areas: racial, gender, economic and climate justice.

LIEBER: Defining justice seems messy these days. On one hand, some investors don't want to invest in weapons manufacturers. On the other, many of them would very much like to put more weapons in the hands of the Ukrainians.

ROBASCIOTTI: In the world our investors want to live in, the government is responsible for weapons and defense, and that is not a private activity.

LIEBER: Wait, so the government should be producing weapons?

DOMINI: Capitalism is great at distributing goods and services broadly and cheaply. Weapons shouldn't be distributed broadly and cheaply.

LIEBER: Academics have been talking for years about how so-called active investing is a bad idea -- that it's just too hard to actively select the stocks that will do better than others over the long haul. Doesn't E.S.G. investing violate these principles?

ROBASCIOTTI: In order to do a good job of social justice investing, you have to be active on those issues and pay attention when a company's behavior shifts in a way that has a real, material impact on its future.

DOMINI: Take Square. They had an arguably strong story for empowering small-business owners, a strong economic justice theme that you could get excited about. As they became more and more of a **blockchain** company -- to the point where they changed their name, that initial exciting thesis became less and less present.

LIEBER: Maybe it's better for curious investors to play with the word "active" then, and think of E.S.G. as activist investing. If someone is going to pay the higher-than-average fees -- or at least the higher-than-basic-index-funds fees that firms like yours charge -- it shouldn't just be to move money around silently from one public company to another in a way that may not have much impact. Activists bring pressure. They make noise.

DOMINI: We wrote 150 companies in Japan, pointing out that there were two genders and their boards didn't reflect that fact. Japan doesn't have robust shareholder resolution opportunities, but that doesn't mean you can't have some activism.

LIEBER: We're in a bear market now. That's often a time when people look to cut costs in their investment portfolios. There's a long history of hand-wringing in the investment industry about the fact that your funds are not cheap. Do you lose in these kinds of market conditions?

DOMINI: You have E.S.G. products now at Vanguard, Fidelity, TIAA. They're all doing it because it adds value to the investment decision-making process. That doesn't go away. It's here to stay.

ROBASCIOTTI: Historically, women, people of color -- particularly Black people like myself -- weren't allowed into the industry. And now that we're starting to emerge, we're in a situation where we have this enormous price pressure. "Bring your fees down!"

Organizing, mobilizing, educating other investors, putting together data sets -- all of that takes people. You have to be able to invest in them.

So I would really question if someone is delivering impact at a really low price point. Many, many, many times with cheap E.S.G., you could hit a data wall and stop. And what we've done is break down the data wall.

LIEBER: OK, but do you always trust the data that you get from companies themselves -- the raw numbers or the way they might be selectively counting things?

ROBASCIOTTI: We use less of the data that companies provide on their own. Data gathered independently by third parties who are verifying it with public companies' practices is what we really lean on.

LIEBER: Elon Musk would beg to differ on the value that E.S.G. adds. How would you try to persuade him in 100 words or less?

ROBASCIOTTI (chuckling): Here's what I'd say: The reason that you're confused is because you're a single-issue C.E.O., and that's not the way of the future. The way of the future is people and planet, and a fractured society can't make anything, including electric cars.

DOMINI: He went after my industry instead of going after the index that excluded him. The whole industry didn't throw him out.

LIEBER: Individual investors face scores of E.S.G. choices. Goldman Sachs and others hope that familiar names will matter. What's the correct framing question that individuals should ask when fund shopping?

ROBASCIOTTI: There's actually three. The first is, what are your issues? To us, those are racial, gender, economic and climate, because those are the places where capitalism extracts value unsustainably.

Then, how are you measuring it? And the most important question, beyond a shadow of a doubt, is who decides what matters? Go to the people who are most impacted and ask them what is significant, because they're closest to the problem and often farthest from the power. And that's information that investors are not currently getting.

LIEBER: What's the most nonobvious example of this third one?

ROBASCIOTTI: When we went to the Poor People's Campaign and asked what we should be focusing on, they led us to working with One Fair Wage, which is working to eliminate subminimum wages for tip workers.

We created a whole ''Investors for Livable Wages'' campaign and had a collective investor statement that represented over half a trillion dollars of investor money, via the signers, making the case for all public companies ending subminimum wages.

LIEBER: This all feels like a lot of work for the investor. Where's my interactive tool that allows just one of the many funds to fall out as my best choice?

DOMINI: I feel that a step is better than not taking a step. I'm not totally hung up on who does a better analysis, or an analysis that is consistent with my own analysis. I've looked at so-called strict portfolios that have stocks that I wouldn't put in my portfolio.

LIEBER: So this analysis paralysis is my problem -- this isn't the industry's problem?

DOMINI: I like women-owned firms, if you want to start with something!

ROBASCIOTTI: Just 1.4 percent of all assets at U.S.-based firms are managed by firms owned by women or people of color. So you can narrow your universe right there.

The reason why that matters is that doing it the way we've always done it has given us the world we have now. If we're going to have a different world -- if we are going to invest in making more of what we actually want -- we're going to have to choose a different set of people who haven't yet been at the table.

Rachel Robasciotti, founder and C.E.O. of Adasina Social Capital. (PHOTOGRAPH BY MEGHAN MARIN FOR THE NEW YORK TIMES); Amy Domini, founder and chair of Domini Impact Investments. (PHOTOGRAPH BY SIMON SIMARD FOR THE NEW YORK TIMES) (B5)

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Apple Moves Deeper Into Finance Business

By AnnaMaria Andriotis
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Apple Inc. tiptoed into finance with Apple Pay and the credit card it launched three years ago with Goldman Sachs Group Inc. Now it is going all in.

The company is launching a **buy now**, **pay later** offering in the U.S. later this year that will allow consumers that shop with Apple Pay to split purchases into four payments every two weeks. Apple will underwrite the loans and fund them, which means absorbing losses when borrowers fail to repay. An Apple subsidiary has obtained lending licenses in most states to offer the new payment plans, called Apple Pay Later.

Big **technology** companies have long looked at finance as a way to deepen their relationships with customers.

But most have tapped banking and financial-**technology** partners to handle the nitty-gritty of vetting customers and dealing with the raft of regulations that surround financial products.

Apple is doing things differently this time, convinced it has the data and **technology** it needs to approve customers without risking big losses, according to people familiar with the matter. Much like a bank, the tech giant will rely on credit reports and FICO scores to check applicants' financial standing. But it also plans to use its giant store of Apple ID data for **identity verification** and fraud prevention, the people said.

The move marks a big change for Apple, which until a couple of years ago had little appetite to become a lender itself. A concern at the company, including for Chief Executive Tim Cook, was the potential reputational risk, according to people familiar with the matter. When it was ready to launch a new credit card a few years ago, Apple tapped Goldman to approve applicants and fund the loans.

The company now feels comfortable becoming a lender in part because of the small dollar amount and short duration of the payment plans, people familiar with the matter said.

Payment plans per transaction will max out at $1,000, and the amount for which consumers are approved will depend on their credit reports and scores.

Apple also will factor in its own information on millions of customers for **identity verification** and fraud prevention, the people said. Applicants whose Apple IDs have been in good standing for a long period and who have no indication of fraud are more likely to get approved.

Apple said it would require consumers to link their debit card to its **buy now**, **pay later** service. Payments will be deducted from their bank accounts automatically every two weeks unless the consumer opts out. The company said it designed the service with "users' financial health in mind."

Apple's experience with its credit card played a role in convincing executives that some consumers who can use credit cards prefer not to in order to avoid interest charges or carrying debt for a long period, according to people familiar with the matter.

Apple's **buy now**, **pay later** service won't charge interest or late fees.

Apple is connecting to merchants through the Mastercard Inc. network. Goldman is serving as the sponsor, essentially issuing a 16-digit card number that merchants will receive when consumers pay using the service.

"We look forward to continuing to grow our work together through another innovative product that helps consumers lead healthy financial lives and are excited about this latest expansion of our relationship," a Goldman spokesman said.

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THE WALL STREET JOURNAL.

EXCHANGE --- The Trial by Fire Of Mike Novogratz --- The Wall Street star made a big bet on cryptocurrencies. Then the market crashed.

By Gregory Zuckerman and Justin Baer
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Seven years after heavy losses shuttered his hedge fund, Mike Novogratz was in his SoHo office watching his computer screen flicker prices of cryptocurrencies, his new favorite investments. They were all collapsing.

The former college wrestler who once worked for Goldman Sachs Group Inc. and Fortress Investment Group had reinvented himself as one of Wall Street's biggest digital-currency proponents, a cult figure for thousands of amateur investors who followed his appearances on television, social media and the conference circuit. His new venture, Galaxy Digital Holdings Ltd., sells crypto-investment funds, handles trades for other big investors and advises digital-asset companies on acquisitions.

But now markets were once again turning on Mr. Novogratz. One of Galaxy's most prominent recent bets -- an upstart cryptocurrency called Luna that inspired a tattoo of a wolf that Mr. Novogratz had applied to his left biceps -- lost 99% of its value in just three days. Bitcoin and other cryptocurrencies also fell sharply as inflation and rising interest rates rattled the markets for digital assets. Shares in Mr. Novogratz's firm, which is publicly traded in Canada, are down 69% this year.

The crypto crash is testing investors of all sizes who piled into digital assets. Mr. Novogratz's Galaxy averted disaster with skillful trading, adopting the kinds of risk-management techniques employed by traditional investment banks. It sold certain crypto positions, including at least part of its Luna stake, before the selloff deepened in May, according to securities filings and people close to the matter. Mr. Novogratz remains a billionaire based on his stake in Galaxy and his other investments, according to some of these people.

His earlier public bullishness, however, attracted attention once Luna collapsed. One investor who lost money said Mr. Novogratz's endorsement of Luna encouraged him to make a disastrous bet on TerraUSD, a related token that also tumbled in May. On Twitter, one post replaced Mr. Novogratz's arm tattoo with the image of a chart tracing Luna's stunning decline.

In an interview, Mr. Novogratz said that while he had been publicly optimistic about the future of Luna and other cryptocurrencies, he made sure to include words of caution. "It's painful to me that too many people lost too much of their earnings" in Luna and TerraUSD, Mr. Novogratz said. "I always said don't put too many eggs in one basket."

Digital currencies will rebound before stocks and the current downturn will prove healthy, he added. "It washes out people who came late, testing the system," he said in the interview. "I'm arguing the system is gonna hold."

Long before Mr. Novogratz's emergence as a crypto convert, the 57-year-old billionaire had a Wall Street career marked by successes and setbacks.

A standout wrestler at Princeton University, Mr. Novogratz made friends easily in college and relished the spotlight, said Pete Briger, a fellow Princeton alum who later worked alongside Mr. Novogratz at Fortress. Mr. Novogratz served in the New Jersey National Guard before heading to Goldman, one of the biggest investment banks on Wall Street. Mr. Novogratz quickly made his mark in finance as a so-called macro investor trading on economic and geopolitical trends. He became a Goldman partner at age 33 and left the firm by 2000. He later joined Fortress, a hedge-fund giant.

Then, as now, he stood out for his willingness to champion outside interests. Mr. Novogratz once organized a match between U.S., Russian and Iranian wrestlers in New York's Grand Central Terminal to help persuade the International Olympic Committee to keep the sport in the Games. He donates freely to organizations aimed at reforming the criminal-justice system, and chairs the Bail Project, which posts bail for detainees who otherwise couldn't afford it.

Mr. Novogratz learned about bitcoin from Mr. Briger, Fortress's co-CEO, and others. During his time at Fortress, Mr. Novogratz and his partners bought cryptocurrencies for their own personal investment accounts, said people familiar with the situation.

His most serious career stumble came in 2015, when Mr. Novogratz's macro fund suffered deep losses on investments on Brazilian and other investments and closed. He quit Fortress to start a firm to invest his own wealth.

Over time, Mr. Novogratz came to see cryptocurrencies as a "really cool new **technology**" that was likely better capable of storing value amid rising inflation than alternatives, he said at a recent conference. Soon, he was a true convert, buying $10 million of bitcoin and another cryptocurrency called ether partly because he sensed a lack of trust in global currencies, he said.

In 2018 Mr. Novogratz merged his family office into Canada's Bradmer Pharmaceutical to create Galaxy, a crypto-focused firm catering to institutions and companies. Mr. Novogratz's portfolio of personal crypto investments moved onto the publicly traded Galaxy's balance sheet. The firm now has more than $2 billion of digital assets on that balance sheet.

Mr. Novogratz became a vocal fan of the fast-growing Terra **blockchain** network, the platform underpinning a number of cryptocurrencies. These included Luna and TerraUSD, a so-called algorithmic stablecoin designed to maintain its value at $1 per coin and not backed with traditional assets. In March 2021, Mr. Novogratz tweeted: "Pumped to be an Anchor investor," referring to the Anchor Protocol, a kind of crypto bank based on Terra's network. Anchor attracted billions of dollars of investors' money by offering annual yields of nearly 20% on deposits of TerraUSD.

"My role -- because I can't stop talking -- has been to preach," he told a major bitcoin convention in Miami in early April.

The confidence Mr. Novogratz and a few other well-known investors expressed in crypto encouraged others to make similar bets.

Kevin Newby, a former information-**technology** worker outside of Detroit, said Mr. Novogratz's endorsement was one of the reasons he overcame his initial skepticism about the Anchor Protocol and put money in it. Mr. Newby lost over $200,000 when TerraUSD collapsed in May. Mr. Newby had kept most of his crypto profits in TerraUSD deposited in Anchor Protocol, attracted by the high yields.

Now, he is planning a return to the workaday world. "I'm back to square one, polishing my resume and looking for a job," Mr. Newby said.

One of the Galaxy bets that attracted attention from the outside world was Luna. It first invested in late 2020, when the price was well under $1. The value of the investment had risen to roughly $400 million in December of last year.

Mr. Novogratz tweeted to his followers on March 26, 2021, that he would get a tattoo if Luna hit $100. Galaxy began to take profits on its gains last year as Luna climbed, according to people familiar with the situation.

Mr. Novogratz followed through on his tattoo pledge in January of this year;. That was not long after Luna surged as high as $103.33 in late December, according to data provider CoinMarketCap. An image he tweeted in January showed a tattoo of a wolf howling beneath a moon and a "Luna" banner. "I'm officially a Lunatic!!!" the tweet said. Luna hit a record of $119.18 in early April, according to CoinMarketCap data.

At a bitcoin conference in Miami, two days after Luna hit an all-time high, Mr. Novogratz told thousands of attendees that "we're moving to a digital world" with nations and others adopting cryptocurrencies. There is "momentum on the side of this," he said at the April event, while adding "it's not without risk."

Robert Bogucki, a Wall Street veteran who is Galaxy's co-head of trading, became concerned by the level of enthusiasm demonstrated by the attendees of the same Miami bitcoin convention as well as the impact of the Federal Reserve's decision to raise interest rates. Soon, he was taking bearish positions in Galaxy's trading account on various cryptocurrencies, though not TerraUSD or Luna, according to people familiar with the trades. Those moves paid off for Galaxy, which also saw gains from lending activities generated by a group run by Jason Urban, the firm's other co-head of trading, according to those people.

Starting on May 7, TerraUSD dropped below its $1 peg, prompting investors to withdraw billions of dollars from Anchor in the crypto equivalent of a bank run. That in turn prompted a selloff of Luna, which had helped back TerraUSD's value. The collapse of the two cryptocurrencies wiped out around $40 billion in value within days.

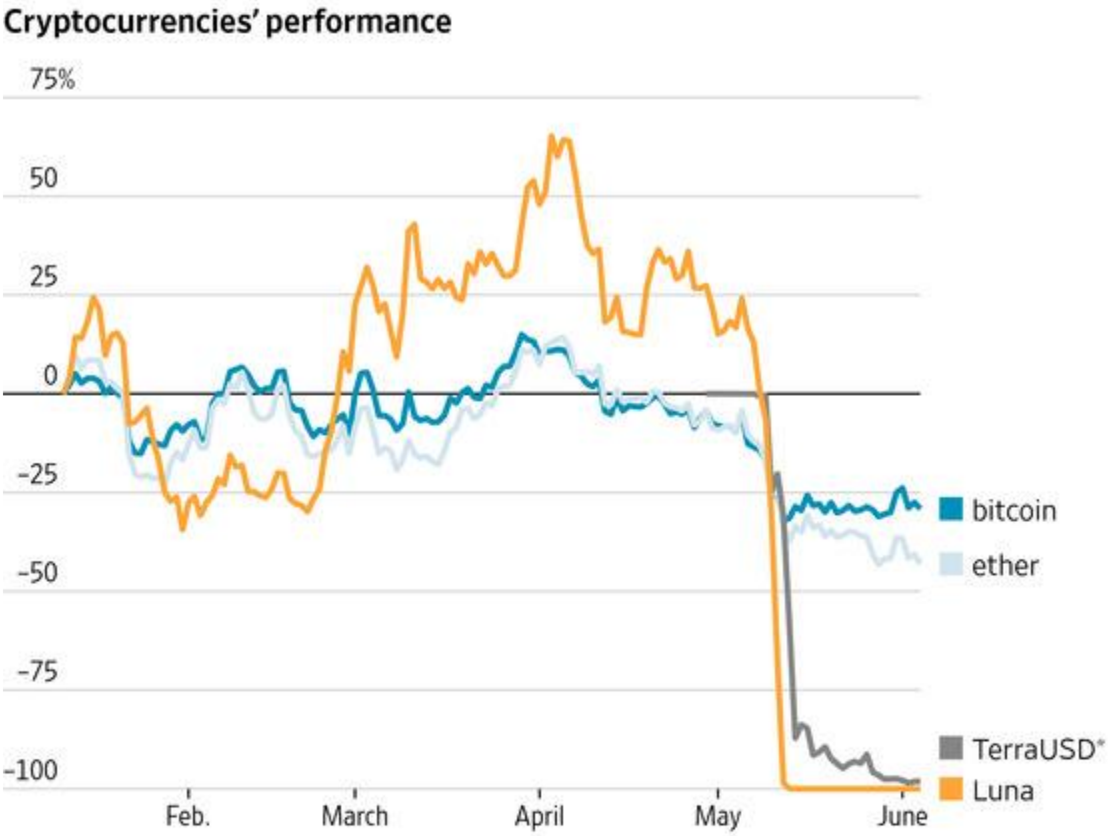
On May 9, Galaxy reported that it sold at least part of its Luna stake during the first quarter of 2022. Realized gains on sales of Luna and other assets totaled $355 million in the period ended in March, the firm said. Galaxy hasn't said if it was still holding any of the currency when it lost nearly all its value in May.

On May 18, Mr. Novogratz issued a letter assuring investors that "crypto is not going away," though the setback for the sector was significant. He said the experience had reinforced "a few core tenets of investing" including the need to keep a diversified portfolio and "take profits along the way . . . Galaxy did all of these with regards to our investment in LUNA."

When Mr. Novogratz posted his letter on his Twitter feed, some replies reminded him of earlier bullishness. One tweet asked: "Do you feel regret and shame shilling luna to small retail investors who lost their life savings in it?"

Mr. Novogratz remains upbeat about cryptocurrencies, he said in the recent interview. As for his Luna tattoo, he's keeping it. "It's a good reminder that not everything you do works out," he said.

Alexander Osipovich contributed to this article.



*Price data begins April 28
Sources: CoinDesk (Luna, bitcoin, TerraUSD); Kraken (ether)

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At Goldman, It's Time Off With a Catch

By Lananh Nguyen and Emma Goldberg
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When Goldman Sachs -- the investment bank known for its hard-charging culture -- recently told its senior bankers that they could take off as much time as they wanted, the policy shift immediately catapulted it into the ranks of America's most employee-friendly companies.

Managers should ''take the vacation they need so they can continue to run hard, be competitive, run productively, but take care of their families,'' David M. Solomon, Goldman's chief executive, told CNBC.

But the bank's move hasn't led to much cheering at a place where employees build their careers on being available to clients any time, anywhere. Goldman, in particular, has long prided itself on that ethos -- so much so that its leaders rarely use all their holidays and often forgo out-of-office messages. Some have even been known to take satellite phones on vacation.

''It sounds psychologically soothing, and it's part of Goldman's cultivating a gentler and softer Goldman image,'' said Mike Mayo, a banking analyst at Wells Fargo. ''The reality is it's not going to make any difference. It's like telling a restaurant owner you can have unlimited vacation -- will that change how the restaurant owner works?''

Some observers have been downright cynical about Goldman's motives, calling the policy a cost-saving move. In the past, if employees had a fixed number of vacation days that they didn't use, the bank had to pay them for those unused days when they quit. But unlimited vacation means the bank doesn't have to pay them anything.

''This was completely driven by financials,'' said Veehtahl Eilat-Raichel, the chief executive and co-founder of Sorbet, a firm that buys unused vacation days from employees at other companies and puts the cash value on prepaid cards. Unlimited paid time off is ''positioned as if it's an amazing benefit for employees, where in fact it actually is really bad for employees and amazing for employers,'' Ms. Eilat-Raichel added.

Goldman Sachs -- which recorded a record profit of $21.6 billion last year -- said any cost savings were incidental.

''Our focus is on incentivizing our people to take more time off, rest and recharge,'' said Bentley de Beyer, the bank's global head of human capital management. ''We are proud to join with many other companies in introducing a flexible policy that requires a minimum amount of time out of the office to continue to build resiliency and sustained performance.''

Unused vacation days have long posed a financial challenge to employers. When employees quit -- especially senior executives, with high salaries and mountains of untouched vacation days -- the company often has to pay them for their unused time off. It has become an even bigger financial strain for companies in recent months, given the tremendous churn in the labor market.

The average employee in the United States holds some $3,000 in paid time off at any given moment, according to data from Sorbet. Employers across the country owe roughly $272 billion in unused vacation days, Sorbet found.

Although companies like Netflix and LinkedIn have long offered unlimited vacation to employees, the option has become popular lately. In a hot job market, unlimited paid time off can serve as a recruiting tool and tell a potential hire that the company values employee wellness. But in practice, unlimited vacation often turns out to be more advantageous to the employer than the employee, because it is generally accompanied by a policy of wiping out unused days from its accounts.

Research has shown that employees with unlimited vacation often take less time off because they don't want to overstep or be perceived as unmotivated. One 2017 study by the human resources platform Namely found that workers with unlimited vacation days took two fewer per year on average than those with a fixed number of days off. And employers that tell workers to take off as many days as they want typically don't have to pay them for the vacation days they don't use.

In other words, unlimited vacation can allow employers to position themselves as caring and thoughtful, while reducing their own financial investment in it.

At Goldman, the new policy has chafed bankers partly because Mr. Solomon has been adamant about a return to the office.

Mr. Mayo, the banking analyst, said he was shocked to see how many people were working in the office when he went to Goldman's headquarters for his first in-person meeting during the pandemic. Mr. Solomon regularly worked from the office, and urged managers to show up in person -- a tactic that led some senior bankers to leave the firm.

Managing directors and partners at Goldman are typically allotted 20 vacation days or more, depending on the length of their tenure, said a company representative who requested anonymity to discuss personnel matters.

Under the new policy, more than 1,400 senior bankers will no longer have a cap on their time off, although all employees will be expected to take a minimum of 15 days a year beginning in 2023, according to a memo viewed by The New York Times. The 15-day stipulation is to provide some structure to junior employees, who will also get two extra days off. To make sure the changes stick, the firm will keep tabs on vacation days taken and address the matter if needed during performance discussions, the representative said.

Senior bankers who take fewer than 15 days will not be paid for the remainder, the person said. In 2017, Goldman had already scrapped a policy that allowed employees to amass unused vacation, but some longtime staff still have days banked from earlier years.

"It's a great thing -- they're trusting their senior people to do what's right because they've earned their stripes, they've put in their time and been successful," said Paul Sorbera, president of Alliance Consulting, a Wall Street executive search firm.

Still, there are risks. Employees who report to "old school" managers might jeopardize their careers if they take too much time off, Mr. Sorbera said. And in an industry where it's common to work through parental leave and scrap vacation plans, change can be slow.

"You can't just set up a new policy and then the next day, the managers come out and crack the same whip as before," he said.

William R. Gruver, a former Goldman partner who spent two decades at the firm, was skeptical about the open-ended vacation policy. "I don't think they'll really leave the job behind -- they'll be working from the mountains or the beach," said Mr. Gruver, who served as the chief operating officer of Goldman's equities division until 1992.

Mr. Gruver compared his love for work to an addiction, but after it contributed to a marriage breakdown and health problems, he left at the age of 48 and went on to teach at Bucknell University. He now works at a think tank.

In recent years, Goldman has rolled out family leave benefits. It gave 10 days off for Covid-19 disruptions, which about 4,000 employees used. In 2019, it extended parental leave to 20 weeks from 16 weeks.

Goldman's vacation benefits echo those offered by other financial firms, including BlackRock, a giant asset manager, and Bridgewater, the world's largest hedge fund.

Long before Wall Street, the **technology** sector embraced flexible time off -- and was aware of its potential downsides. In his 2020 book, "No Rules Rules," Reed Hastings, a co-chief executive of Netflix, discussed the company's unlimited vacation policy, instituted in 2003, and noted that the benefit worked best if leaders served as an example by taking time off.

But Robert Sweeney, a tech executive, said that when he worked at Netflix in 2011 and 2012 he felt ashamed asking his manager for time off. Mr. Sweeney recalled a period that year when he had been working 80-hour weeks to introduce a new product. When he completed the project and asked for a vacation, he said, his supervisor chided him for leaving when yet another major deadline was looming.

In 2012, when Mr. Sweeney started his own company, Facet, which does tech recruiting, he mimicked Netflix's unlimited-paid-time-off policy. But he found that his employees were taking very few days off, and many were feeling burned out. Eight years later, Mr. Sweeney changed Facet's policy to offer a minimum of 25 vacation days a year, with managers given the discretion to grant more to high performers.

The experience has made him wary of employers offering unlimited vacation. "They claim they're pro employee health and pro time off but they're actually making zero commitment to it," Mr. Sweeney said.

Kate Kelly contributed reporting.

Kate Kelly contributed reporting.

Above, the Manhattan headquarters of Goldman Sachs, which said savings from its vacation policy were incidental. Below left, the Goldman lobby last June. (PHOTOGRAPH BY AMIR HAMJA/BLOOMBERG): The offices of Facet, a tech recruiting company, in Lehi, Utah. It adopted unlimited time off but abandoned it after finding employees felt burned out. (PHOTOGRAPHS BY JEENAH MOON FOR THE NEW YORK TIMES; KIM RAFF FOR THE NEW YORK TIMES); David Solomon, Goldman's C.E.O. (PHOTOGRAPH BY JEENAH MOON FOR THE NEW YORK TIMES) (B3)

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Goldman Eases Employee Vacation Rules --- Hard-charging bank lifts time-off cap for partners and managing directors

By Lindsay Ellis and Charley Grant
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Goldman Sachs Group Inc., the Wall Street firm synonymous with long hours and a hard-charging culture, is telling some senior executives it won't be capping their days off.

Goldman said partners and managing directors will no longer have a set number of vacation days starting this month. The company is also expecting all employees to take a minimum of three weeks away from work each year.

More generous vacation paid time off is an especially important benefit at companies that have less-flexible work schedules and modalities, insurance and benefits, provider MetLife Inc. found. Many of these firms have pushed workers back into the office more often and are looking for other ways to match some of the flexibility seen across other industries, according to human-resource managers.

Once reserved for only a handful of **technology** companies like Netflix Inc. and Twitter Inc., unlimited paid time off has been adopted more broadly in the tight labor market, according to a survey from employee benefits adviser Mercer. Companies that have adopted the policy say the benefit can minimize burnout and instill a sense of trust among workers.

"It's that blurring of time off and work," said Rich Fuerstenberg, a senior partner in Mercer's health and benefits practice. "You get to a point, as an employer -- why am I going to even try to figure out when you're working, when you're not? Just call it unlimited. Work it out with your manager."

In addition to making time management easier, companies without set vacation time don't need to pay out accrued time off or deal with workers rushing to use vacation days by a certain date.

The policies are popular among employees, who often cite unlimited paid time off policies as benefits on company-ratings website Glassdoor. Even so, the record of workers actually taking more days off has been mixed.

For Goldman, the decision marks the latest in a string of moves it has made to adjust to the banking, trading and deals environment since 2020.

Goldman was one of the more aggressive banks about returning to in-person work and had largely full offices in January. Meanwhile, its business has been booming. Firms like Goldman have raced to bring workers back into the office and hire new ones to keep up with the flood of deals and frenzied markets.

Banks have more recently paid more to keep these workers. Goldman paid an additional $4.4 billion in compensation in 2021. JPMorgan Chase & Co. and Citigroup Inc. each spent billions more in compensation as well.

In November, Goldman announced paid leave for pregnancy loss, an expansion to the amount of time employees can take for bereavement leave and the introduction of an unpaid sabbatical for longtime employees.

Goldman said its decision was designed to further support rest and recharge for workers.

"As a firm, we are committed to providing our people with differentiated benefits and offerings to support well-being and resilience," Goldman said in the email announcing the new paid-time-off policy, which was earlier reported by Bloomberg News.

Goldman has about 400 partners and thousands of managing directors. It has more than 45,000 total employees.

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The New York Times

YOUR MONEY
Business/Financial Desk; SECTB
He Was a Crypto Executive With a Story to Tell, Until I Discovered It Didn't Add Up

By Ron Lieber
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The chief operating officer of ZenLedger, a software company, boasted of work for Goldman Sachs and Larry King. Did anyone check to see if it was true?

When ZenLedger put out word of a deal in March for the Internal Revenue Service to keep using its software, Dan Hannum said he was ''thrilled.'' It was a big moment for the company, which has the backing of Mark Cuban and other investors as it aims to be a kind of TurboTax for crypto enthusiasts.

It was no surprise Mr. Hannum was front and center in ZenLedger's news release. As its chief operating officer, he had spoken with the voice of the company to The Wall Street Journal, Politico and numerous podcasters.

And who wouldn't want to talk to him? In interviews -- and a lengthy Forbes profile -- he talked about turning his life around and getting his M.B.A., stints at Wall Street heavyweights like Goldman Sachs, and staggeringly profitable crypto investments that allowed him to make millions of dollars for himself and people like the talk show host Larry King.

If only all of that were true.

Within a few weeks of announcing the I.R.S. deal, the company fired Mr. Hannum. I had asked ZenLedger about things I could not verify about Mr. Hannum after I talked to him for an article about crypto trading and taxes. Much of what he had said to others did not check out, either.

All emerging industries -- with their attendant opportunities for entrepreneurial people no one has heard of to get rich real quick -- draw at least a few fabulists. But it is astounding that Mr. Hannum got away with it for as long as he did, even if few of us should be surprised by now at the power of untruths and our own inclination to believe them.

Mr. Hannum initially tried to offer some proof and assurances that he was being truthful, but he stopped responding to me before he was dismissed. So I don't know why he did what he did.

But the fault isn't his alone. Stopping to ask questions is a good way to get left out of the bro-ish backslapping -- one podcaster referred to Mr. Hannum as an O.G., or original gangster -- that we see across the worlds of business, politics and digital culture. There's a nasty price to seeing only what we want to see: Slowly and then all at once, lying in public has come to feel like a reasonable strategy to getting or staying ahead. We need a little less mythmaking and a lot more fact-checking.

So first, the story he told about himself. It begins with the police pulling over a teenage Mr. Hannum with 17 pounds of marijuana, then a year in a program for juvenile offenders that was his warning bell. Then, he told interviewers, he attended the University of South Carolina as an undergraduate and earned his M.B.A. there, which led to stints at Goldman Sachs, Morgan Stanley and TD Ameritrade.

Mr. Hannum said he then caught the crypto bug and went west, working for **Blockchain** Capital, which paid him in Bitcoin, and helped run a green-energy-focused initial coin offering. That venture, he said, netted Mr. King -- and the professional investors Stan Bharti and Jim Rogers -- many millions of dollars in a matter of weeks.

Enamored investors soon lined up to give Mr. Hannum more money, or so he said.

"Rich people always have some extra dollars laying around that they're willing to throw away, or at least they're willing to risk a little bit," he said on "The Fundamental Value," a podcast.

Mr. Hannum told the podcast that he had put up "the first million" and that Mr. King had given him $4 million -- as well as access to other well-heeled investors. "He opened up his Rolodex, and that opened up tons of doors that I should have probably never had access to," Mr. Hannum said.

Eventually, Mr. Hannum claimed, he had $100 million under management and was placing bets on **blockchain** infrastructure. He said that one of those investments was ZenLedger, and that he had joined its C-suite after investing his fund's money.

Given the credibility that comes with a fancy title, it was only natural that people might have wanted to hear what he had to say and not stop to question it. (Forbes said it was looking into the details of the profile, which was written by a nonstaff contributor who it said had looked up "basic details" about Mr. Hannum but had not checked on his employment or education history.)

I first encountered Mr. Hannum in March, when I talked to him about crypto and taxes. Nothing about the advice he offered in our phone conversation set off any alarms -- in fact, it all checked out with the I.R.S.

But the life story he told me didn't quite add up.

The University of South Carolina is a fine school, but not the first place snobby Wall Street banks look for new hires. And was Larry King, who died last year, really investing millions of dollars in crypto?

Mr. Hannum claimed to have paid millions in taxes alone on his crypto winnings, but his office in Charlotte, N.C., where he worked remotely, looked generic on Zoom. And don't all the crypto people live in Miami, anyway?

So I started asking around. It didn't take long to figure out that Mr. Hannum had made up a lot of it.

I could pick up the thread of his life only in college; juvenile court records are hard to come by. He did attend the University of South Carolina -- he emailed me a picture of his student identification card before he went dark -- but the school said he had completed neither an undergrad nor a graduate degree. And Goldman, Morgan Stanley and TD Ameritrade had no record of his being an employee.

W. Brad Stephens, a founder and managing partner of **Blockchain** Capital, also said Mr. Hannum had never worked for him. "I vaguely remember first meeting him around 2017, a meeting at our office for something he was trying to start," Mr. Stephens said in an email. "We didn't invest. But he seemed like a nice young guy who was extremely excited about Bitcoin and **blockchain**."

What about the three investors for whom Mr. Hannum claimed to have made millions? The offering never formally launched, according to a lawyer for the investment company that Mr. Bharti founded.

"No profits were made by anyone," said the lawyer, Neil Said, responding to questions for Mr. Bharti, who was involved in the venture that sought to offer the coin.

Mr. King did record a video for the nascent initial coin offering, but his widow, Shawn, told me that he never had crypto investments and that she didn't know Mr. Hannum.

Mr. Rogers, who ran an investment fund with George Soros and wrote the book "Investment Biker," said he had briefly been a "skeptical adviser" on the project since he did not expect it to work. He added that he had never bought cryptocurrency, let alone via Mr. Hannum.

"I have never heard of him," he told me by email. "This is all absurd."

Mr. Hannum was somewhat connected to the failed venture: He worked at a marketing firm in Santa Monica, Calif., called Hawke Media that helped with it, according to Erik Huberman, Hawke's chief executive.

I could find no evidence that Mr. Hannum had made any venture investments, let alone $100 million worth. And it's not clear exactly how he found his way to ZenLedger. Pat Larsen, ZenLedger's chief executive and a founder, would not get on the phone with me and did not respond to any of my emails. I also wanted to know if he had read the big Forbes profile, where Mr. Hannum described how he had been an early funder of ZenLedger.

Rob Ford, an outside spokesman for ZenLedger, tried to clear some things up. He said that Mr. Hannum did not invest in ZenLedger and that Mr. Larsen had not read the Forbes article. The company does not believe Mr. Hannum ever misrepresented the company itself, he added.

(The I.R.S. connection is real: ZenLedger has four contracts, totaling $509,600, under the corporate name **Blockchain** Analytics and Tax Software L.L.C. The agency said contracts generally remained in place until they expired. "However," it added, "government contracts, including this one, are subject to ongoing review in accordance with federal contracting standards.")

So how did Mr. Hannum end up at ZenLedger?

"Mr. Hannum was referred to ZenLedger through a professional relationship and was cleared by a federal background check with no flags regarding his education or work history," the company's statement said. "Once it became evident that he had misrepresented his education and work history, as well as the nature of his role with ZenLedger, his employment with the company was terminated that day."

A check of federal records is never a bad idea when hiring someone, but it probably wouldn't raise red flags about a person's professional or educational background. So if ZenLedger wasn't asking the right questions, what about its investors?

Firms that want in on a deal often lean on the due diligence that the so-called lead investor conducts. In ZenLedger's case, that was Bloccelerate, which led a $6 million funding round last year. At the time, a Bloccelerate general partner, Kate Mitselmakher, called the ZenLedger team "talented, driven and creative."

So how much did her firm know about that team?

"Our due diligence was extensive, including talking to the I.R.S.," she told me. "We did more due diligence than a traditional venture capitalist would have done."

Bloccelerate vetted the company's chief technical officer, she said -- although she didn't think anyone had spoken to Mr. Hannum, the chief operating officer. "No V.C. would be in business if we had to do background checks on everyone in the company," she said.

So what really happened here? Mr. Cuban, whose firm was also part of last year's funding round, offered some additional explanation in an email.

"Most of us are naturally trusting, trying to focus on making our business a success, rather than looking underneath every résumé," he wrote. Fabricators can be a problem at any company, and had even bitten The New York Times, he noted.

"People lie, and sometimes they are really good at lying," he said. "All a company can do is move on."

But accepting deceit is accepting defeat, and really, why should we? Perhaps Mr. Hannum could channel his enthusiasm toward a solution: Use the **blockchain** -- with all its promises of permanent, unalterable records -- to create an opt-in, verified platform for education and employment history. That way, people can't do what he did.

ZenLedger, at least, seems to have learned its lesson. Its new chief strategy and chief operations officers did stints at the Central Intelligence Agency and in the Green Berets. (I checked.)

And when Mr. Larsen said on Twitter in late March that ZenLedger was looking for a "great leader and communicator" to step into Mr. Hannum's old job, the posting he linked to highlighted work-from-anywhere flexibility and the option of getting at least part of your salary in crypto.

It also came with a warning: "We will check references."

Kirsten Noyes, Katie Robertson and David Yaffe-Bellany contributed reporting.

How can a career built on lies and half-truths make it so far, and what does it say about our times? Kirsten Noyes, Katie Robertson and David Yaffe-Bellany contributed reporting.

(PHOTOGRAPH BY Robert Neubecker FOR THE NEW YORK TIMES)

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THE WALL STREET JOURNAL.

Climate Technology (A Special Report) --- Goldman Sachs's Disclosure Strategy: How Goldman Sachs Asset Management is encouraging companies to disclose climate-related data

By Emily Glazer
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Companies are facing more stringent environmental, social and governance requirements leading into proxy season.

The Securities and Exchange Commission recently proposed new rules that would require public companies to provide information to investors about their exposures to risks stemming from greenhouse-gas emissions and other climate-change-related issues. Institutional investors are now asking for more information, with some requests happening ahead of annual shareholder meetings that often occur in the spring.

Large investors can have a big impact if they vote in favor of shareholder proposals requesting company changes or against board members, which is increasingly happening if a company isn't meeting ESG-related requirements.

The Wall Street Journal's Emily Glazer talked to Catherine Winner, global head of stewardship at Goldman Sachs Asset Management, about the SEC's new proposed rules, Goldman's proxy voting changes and advice for companies in their sustainability reporting. Edited excerpts of the interview follow.

WSJ: What was your reaction after these long-awaited rules came out?

MS. WINNER: Our voting framework is very supportive of the SEC's proposed climate-risk disclosure rules. Both the SEC and the TCFD [Task Force on Climate-Related Financial Disclosures] are pushing for greater emissions disclosures grounded in materiality.

In the U.S. particularly, our policy will support progress on emissions reporting as we get closer to the proposed implementation deadline for the SEC's rule. As one of the leading global asset managers, we have $2.5 trillion in assets under supervision. We will use this to help us drive positive change on this topic.

WSJ: When the proposals came out, were you surprised, or did you have a sense of what Goldman Sachs Asset Management would do?

MS. WINNER: We really believe that climate risk is a material investment consideration. We've been engaging with companies for a number of years around disclosure and the encouraging of disclosure around greenhouse-gas emissions that are material to their business.

We've been engaging with 271 companies since 2020. We engaged to encourage better disclosure. And 42% of those companies that we engaged have made improvements to their disclosures.

Since we believe this is a material investment consideration, and boards should be held accountable for these climate risks and for disclosure of climate-related data and reporting, we intend to vote against chairs of the committees with oversight of ESG risks at those companies that are still not disclosing or that have made zero improvements on the disclosure of emissions data.

WSJ: What would an improvement be?

MS. WINNER: We use the materiality framework from the nonprofit Sustainability Accounting Standards Board [SASB] when we're engaging with companies to encourage them to disclose. We defined and categorized companies according to whether they were fully disclosing, or partially, or nondisclosing companies. We engaged with the nondisclosures or the partial-disclosure companies. And any improvements to that status we are encouraged to see. So 42% of those companies that we engaged with have made some improvements on their disclosures. Of the companies that have not made any progress, there's still less than 100 of them globally.

WSJ: Come the annual shareholder meeting, if there is a vote to replace someone on the audit committee or some kind of director, what will you say to such a company then?

MS. WINNER: We launch our policy publicly in March of each year. And since we've been engaging on the subject with the select companies that are targeted for potential escalation on voting at the director level, we hope that this comes as no surprise.

But that being said, we do make our policy public on our website, and also try to encourage companies to read that and alert them to the upload of the policy each year, to sort of direct them and show them what our expectation is. And it's not just audit committees' responsibility.

WSJ: It's getting more common for institutional investors to say, "If this doesn't happen, we will vote against a director." And that was not common years ago.

MS. WINNER: It is becoming more common practice. We take a very holistic and robust approach to how we evolve our policies over time. We look at the landscape of how we voted over the last year, what new proposals are developing, what are our clients' expectations of us in terms of advocating for positive change with companies.

How do we escalate appropriately? We want to be sure that we communicate directly to companies in a dialogue. We are partners with the companies that we are engaging with. We want to be proactive and solutions-driven.

WSJ: Are there certain pieces of information that you're seeing as challenging for companies to produce?

MS. WINNER: We're not prescriptive as to where sustainability reporting goes. We understand there are many different ways to produce this and make this available to your investors. But we do recognize there are different implications. So, for instance, information in a proxy versus an annual filing such as a 10K or an 8K might be subject to different scrutiny. We are aware of those challenges. But we really leave it up to companies' best discretion in consideration of where that would be disclosed.

Two pieces of advice on that:

-- Be consistent in messaging. If a company is discussing climate at an investor day, for instance, and you see slides and metrics and goals, I would encourage that you make that disclosure consistent in what's being reflected in your sustainability report, for instance.

-- And make it easy to access. We often ask each other, "How many clicks did it take you to find that report on a website?" That is important information because it's not us seeking it, it's a number of stakeholders that are trying to get at this information.

WSJ: Do you feel strongly about the TCFD framework versus SASB? Or does it depend on the company or sector?

MS. WINNER: TCFD is helpful more with a climate focus lens. SASB has a materiality lens on climate as well, but it also incorporates social and governance issues as well. So if you're looking for more climate heavy disclosures, TCFD gives a much deeper dive into the environmental side, whereas SASB can talk about ESG, which is also important when evaluating a company.

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THE WALL STREET JOURNAL.

Goldman CEO Takes Cut of Private Investments

By Liz Hoffman and Charley Grant
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David Solomon is getting a bigger slice of Goldman Sachs Group Inc.'s private-equity profit.

The Goldman Sachs chief executive and a tight circle of lieutenants are taking a cut of profits from the firm's private investment funds, according to people familiar with the plans.

The perk could be worth hundreds of millions of dollars over the next several years to those executives, the people said, multiples of their annual pay depending on how those funds do.

The perk risks angering both shareholders and the Goldman fund managers out of whose pockets the money will come.

Goldman executives and partners can only earn the carried interest if they also invest their own money in the funds, a bank spokeswoman said in a statement. With "reasonable fund returns," she said, the executives couldn't earn multiples of their annual pay.

The bank's board reviews the co-investment program each year, she said.

Wall Street executives are enormously wealthy by almost any measure. Mr. Solomon made $35 million last year, in line with the CEOs of other big U.S. banks. But when new fortunes are being minted in **technology**, cryptocurrencies and NFTs, their paydays are starting to pale in comparison.

They are being outshone even in their own backyard by private-equity firms and hedge funds, whose executives have ridden hot markets over the past few years to huge pay packages. KKR & Co.'s co-CEOs were paid more than $500 million last year. Mr. Solomon's 2021 pay was half of what his predecessor, Lloyd Blankfein, made at his pre-2008 peak.

Unique among banks, Goldman is a big player in private investing. The firm has $426 billion of its own money and that of clients invested in corporate buyouts, loans, real estate and stakes in other investment funds. It is in the middle of another big fundraising push.

In the past, the profits from those investments -- known in the industry as carried interest -- were split evenly between Goldman and the executives actually managing the funds, a common setup that ensures everyone has some skin in the game.

Going forward those executives will receive just 35%, the people said. Ten percent will be shared with Goldman's roughly 400 partners, part of a push to restore the prestige of a title that once guaranteed stratospheric wealth but has dimmed. Five percent will go into a pool for Mr. Solomon and his closest deputies, the people said, fewer than a dozen people.

This isn't the first time Mr. Solomon has gotten creative in efforts to juice his pay. Late last year he sought to secure a personal share of the profits from blank-check companies Goldman was planning to launch, according to people familiar with the matter. That attempt, earlier reported by Bloomberg News, delayed the vehicles' launch long enough that the SPAC market fizzled. They haven't gone forward.

Goldman faces potential backlash on executive pay. Glass Lewis, which advises big shareholders on corporate-governance matters, is recommending a nonbinding vote against the bank's pay policies.

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