

Rich Lesser, Global Chair of Boston Consulting Group
Testimony before the
United States Senate
Committee on Homeland Security and Governmental Affairs
Permanent Subcommittee on Investigations
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Thank you, Chairman Blumenthal, Ranking Member Johnson, and distinguished members of this Subcommittee. My name is Rich Lesser, and I am the Global Chair of Boston Consulting Group (BCG).

I joined BCG in 1988 and have served in various capacities over the years, including Chair for North and South America from 2009 to 2012, and CEO of BCG from 2013 to 2021. I advise clients around the world and serve in an advisory capacity externally in roles such as Chief Advisor to the World Economic Forum’s Alliance of CEO Climate Leaders, and as a member of President Biden’s Export Council.

Background and overview

I appear before you today proud to represent BCG. We are a firm that was founded over 60 years ago in Boston, Massachusetts, with an ambitious purpose: to unlock the potential of those who advance the world. 33,000 BCGers across 50 countries and more than 100 offices, including 25 offices in the United States, strive to live this purpose every day. We bring deep expertise and collaborate across industries and markets to take on the hardest problems and to drive real value creation for businesses, for society, and for the world at large.

Since August 2023, we have been engaging with the Subcommittee about work BCG does for the Kingdom of Saudi Arabia’s Public Investment Fund (the “PIF”) related to the PIF’s investments and investment strategies in the United States.

As a firm committed to complying with the laws of every country in which we operate, BCG wants nothing more than to satisfy the Subcommittee’s inquiries. Unfortunately, we are in an unprecedented situation, hamstrung in our ability to do so. The remainder of my testimony clarifies our position and seeks to address the questions from the Subcommittee, within the tight constraints of what we can share at this time.

Our work in the public sector, including in Saudi Arabia

BCG’s work in the public sector, including with governments and government-owned entities, is guided by a mission to improve the financial, economic, and societal well-being of the countries in which we work, and to benefit the individuals in those countries. In all our work, including with governments or their related entities, we apply consistent standards that dictate who we will work with and on what topics, to ensure we only take on client engagements aligned with our purpose and standards.

Saudi Arabia has been a long-standing ally of the United States, bounded by a strong common goal to preserve “the stability, security, and prosperity of the Gulf region” and consulting closely with each other “on a wide range of regional and global issues.”¹

BCG opened its first office in Saudi Arabia when I was CEO in 2015. Our office in Riyadh is home to 260 BCGers of 28 nationalities, including American citizens. Women make up nearly 40% of our consulting team, and approximately 50% of our overall staff, in keeping with our global efforts to build diverse BCG teams in all countries where we operate.

Saudi Arabia plays a critical role in the world economy and has undertaken important efforts to diversify, encouraging the development of industries beyond oil and gas, implementing social and cultural reforms, improving education, developing infrastructure, and more.

The PIF has been an important part of Saudi Arabia’s economic development and diversification. We have decades of experience working with public sector organizations in many countries around the world and have built unique functional expertise in areas such as:

- Social development: improving education, increasing employment, improving welfare, supporting culture & tourism (e.g., opening historic places for public visitation);
- Economic development: future-proofing economies (e.g., diversifying beyond oil & gas, attracting investment, driving local innovation); and
- Environmental development: working on how countries can green an economy, build biodiversity, and reduce their carbon footprint.

BCG’s work with Saudi Arabia spans all of these categories. For example, over the years, BCG has helped on market labor policy reforms including the advancement of women participating in the labor market. Furthermore, we have supported Saudi Arabia in defining unemployment support programs and upskilling of young Saudi Arabians.

Subpoena compliance: we find ourselves in an unprecedented situation

BCG is caught between two sovereigns. The Subcommittee requested that we provide information related to work we have done for the PIF. However, the PIF has told us that it considers the information sought by the Subcommittee to be protected government information.

Like other countries, Saudi Arabia has laws protecting this type of information and applying serious penalties on those who disclose it without permission. We risk criminal and financial penalties for the firm and for individuals working or living in Saudi Arabia.

The PIF has been explicit that the disclosure of information relating to BCG’s work for PIF is a violation of Saudi law, which “imposes criminal penalties for disclosing or disseminating such information including imprisonment for a maximum of 20 years, a fine not exceeding one million riyals, or both.” In support of its position, the PIF initiated litigation against BCG in Saudi court, obtaining a temporary injunction that formally prohibits the disclosure of certain

¹ U.S. Dep’t of State, *U.S. Relations with Saudi Arabia*, <https://www.state.gov/u-s-relations-with-saudi-arabia/>.

information. To be clear: we are not solely relying on provisions in our contracts to shield us from disclosing the information. Rather, the Saudi government has told us that Saudi criminal law prohibits disclosure of this information without Saudi government approval.

BCG is complying with the subpoena and making productions to the Subcommittee, within the legal constraints we are subject to. We have challenged the PIF's position and are actively litigating this matter in Saudi court. We have engaged with leaders at all levels of the PIF organization in our continued efforts to make as robust a production as possible to the Subcommittee.

Unfortunately, at this time, I am limited in my ability to provide details about our work for the PIF. That said, as of February 1st, I can now confirm two projects that BCG worked on—Uber (in 2016) and Magic Leap (in 2022). We have provided redacted versions of our deliverables related to both investments to this Subcommittee.

While I cannot go into more details about these or other projects, I want to reassure the Subcommittee about the nature of our work for the PIF, which is consistent with that which we do for commercial investors and other sovereign wealth funds around the world. BCG provides our investor clients with advice on fund strategy, operating models, value creation playbooks, technology, governance, and people and organization. We also advise and support these clients on ways to help accelerate the success of their portfolio companies.

I also want to be clear on work we have not done:

- We have not worked for the PIF on LIV Golf;
- We have not worked for the PIF on its investments in sports in the U.S.;
- We have not worked for the PIF on its direct investments in U.S. companies other than Uber and Magic Leap; and
- We have not supported the PIF in any U.S. lobbying efforts.

Conclusion

We at BCG are proud of our commitment to our values and purpose, and the work we do on behalf of our clients around the world.

We are committed to finding a solution to this extremely challenging situation, consistent with the laws of both countries, that satisfies all parties involved, and does not subject BCG or our colleagues to legal jeopardy in either the United States or Saudi Arabia. We have immense respect for this Subcommittee's important work. We desire to cooperate as fully as possible with your inquiry.

We are hopeful that this Subcommittee and the Kingdom of Saudi Arabia continue their dialogue and resolve this issue as quickly as possible, both to directly address questions raised by the Subcommittee and to avoid setting a precedent that could harm U.S. companies operating internationally.

Thank you for the opportunity to appear before you today and I look forward to answering your questions.