

Goldman Sachs Asset Management (GSAM), a part of the Goldman Sachs Group, Inc., is committed to helping institutional and individual investors preserve and grow their financial assets. As an asset manager, we act as a fiduciary on behalf of our clients. At GSAM, we seek to build and maintain strategic partnerships with our clients, and to deliver superior long-term investment performance to help them achieve their investment objectives. In addition, we play an important role in helping them ensure that their investments are well-governed and sustainable.

1. Responsible and Sustainable Investing

We believe responsible and sustainable investing extends beyond the evaluation of quantitative factors and traditional fundamental analysis. Where material, it should include the analysis of an entity's impact on its stakeholders, the environment and society. We recognize that these environmental, social, and governance (ESG) factors can affect investment performance, expose potential investment risks, and provide an indication of management excellence and leadership. As a result, it is important for our investment professionals to understand how ESG factors influence our investment decisions. To this end, GSAM is working to more formally integrate the analysis of these factors into our investment processes, where appropriate and consistent with our fiduciary duty.

2. ESG Integration

The foundation of our approach to responsible and sustainable investing is built on our core philosophy of serving our clients' investment goals and strictly adhering to our fiduciary duty as an asset manager. Our clients employ a range of strategies with respect to ESG implementation. We partner with them to provide a broad list of customized solutions, from a high-level incorporation of ESG factors into our investment process to exclusion-based approaches. Given the breadth and diversity of both our clients' objectives and our investment capabilities across our global platform, teams within GSAM will implement a range of approaches to responsible and sustainable investing, where appropriate.

3. Responsible Ownership

At GSAM, responsible ownership is accomplished through a variety of methods. GSAM has adopted a [global proxy voting policy](#), which we update annually to incorporate our current beliefs on key governance and ESG topics. For equity investments covered under the policy, proxy voting is an element of the portfolio management process. In addition, many of our research teams maintain active dialogues with company and fund management teams as part of their fundamental research process. Through this dialogue, we seek enhanced disclosure of ESG factors and risks, particularly where we believe such information could materially impact the value of our investments. We are also able to raise awareness among management teams and develop a framework for evaluating their responses.

4. Implementation

Codified 30 years ago, the Goldman Sachs [Business Principles](#) are the foundation of our firm-wide culture of client service, teamwork, excellence, personal initiative and accountability, and are fundamental to our long-term sustainability and success. The Goldman Sachs Group is a signatory to the Carbon Disclosure Project and, as outlined in the [Goldman Sachs Environmental, Social and Governance \(ESG\) Report](#), has an ongoing commitment to responsible corporate citizenship as a firm, maintaining a diverse workforce and an active approach to philanthropy.

[GSAM](#) is a signatory to the United Nations Principles of Responsible Investment (UNPRI) and is compliant with the UK Stewardship Code. We are committed to responsible and sustainable investing and are working to further integrate ESG principles into investment strategies and client solutions globally, where applicable and consistent with fiduciary duty. The following sections outline team-specific approaches for:

- A. Fundamental Equity
- B. Fixed Income: Corporate Credit

A. Fundamental Equity

The GSAM Fundamental Equity team invests with a long-term view. We seek to invest in companies with shareholder-oriented management teams and a focus on quality characteristics. These characteristics include sustainable or competitive operating advantages, strong balance sheets and cash flow generation, management teams who are excellent stewards of capital, and the ability to earn in excess of the cost of capital. In assessing the quality of a company's management team, we evaluate a company's focus on creating a sustainable business model and their attention to ESG factors, where relevant. Where consistent with fiduciary duty, we believe that ESG analysis and integration is a natural extension to quality-oriented fundamental research and risk management.

1. Responsible and Sustainable Investment Principles

- We seek to understand the material and relevant ESG issues in the companies we analyze and integrate these into investment decisions where consistent with fiduciary duty.
- We encourage companies to pursue responsible business practices and to disclose their practices.
- We will engage with company management teams and board members on critical ESG issues.
- We are active proxy voters and incorporate GSAM's views on corporate governance and ESG issues into our votes.

2. ESG Integration

The GSAM Fundamental Equity team has long considered ESG, particularly governance, issues to varying degrees in the investment process. Integrating ESG factors into the investment process is a valuable way to identify key risk and return drivers for our investments. A company's adherence to best practices in the ESG areas can benefit a company by minimizing costs and liabilities, and enhancing profitability and competitive positioning. When evaluating companies, we believe that management teams with a proactive focus on sustainability can be an indication of a strong corporate strategy and business model. A comprehensive set of ESG factors is applied to companies held within our responsible and sustainable investment portfolios and, where relevant and consistent with fiduciary duty, within the rest of the Fundamental Equity platform. We look for management commitment to sustainability and we analyze track records with respect to ESG factors, focusing on accountability.

3. Responsible Ownership

- a. **Corporate engagement:** One way to employ responsible ownership is to meet with company management teams. Engagement with management teams is a core part of our fundamental research process as it gives us unique insights into management quality, business model, financial strategy and prospects. Globally, the Fundamental Equity team conducts 3000+ management meetings each year. Our global ESG engagement efforts enable us to complete proprietary ESG evaluations, understand how ESG practices are driving value and how these are integrated in strategy and decision-making. Outcomes from engagements include: using the information in the investment decision-making process and evaluating the materiality of risk factors; helping determine conviction levels related to our investment thesis, evaluating company management quality and commitment to ESG responsibility and leadership. Our engagement also allows us to express our views to company senior management and enact positive change.
- b. **Proxy voting:** We are active proxy voters. GSAM has adopted a global proxy voting policy, which GSAM updates annually to consider current ESG issues. The GSAM Fundamental Equity team also engages with management teams on proxy issues to gather additional information and to express our views on corporate governance and ESG issues.

4. Resources and Implementation

The GSAM Fundamental Equity team has global ESG research specialists that are integrated within the regional investment teams. By blending ESG factors with fundamental research focused on alpha generation, these specialists seek to identify leaders for the responsible and sustainable investment portfolios by applying a proprietary, in-house ESG evaluation process. The evaluation process, developed in 2006, is comprehensive, forward-looking and quantifiable. The ESG specialists also help integrate these considerations into the broader investment universe.

B. Fixed Income: Corporate Credit

The GSAM Fixed Income team manages a range of strategies within the global fixed income market, including both specialized single-sector and well-diversified multi-sector portfolios, as well as global liquidity management solutions. The Corporate Credit team seeks to generate consistent excess returns through intelligent, risk-managed investing. We aim to uncover market opportunities worldwide, leveraging our global coverage and local expertise, and taking an active and fundamental approach to investing. Our research-driven process balances rigorous credit assessment and top-down strategic positioning, and employs sophisticated analytics and processes to detect and mitigate risk. We believe the corporate credit sector is a natural starting point as we seek to formalize our implementation of ESG analysis within the global fixed income market over time, where appropriate and consistent with fiduciary duty.

1. Responsible and Sustainable Investment Principles

- We seek to understand the material and relevant ESG factors that affect credit quality.
- We regularly communicate with company management teams on all topics that impact credit risk, which will frequently include ESG factors.
- We acknowledge the growing importance of ESG issues and we are formally integrating analysis of these factors into our corporate credit research process.
- Our team's approach to responsible and sustainable investing reflects our clients' goals and objectives.

2. ESG Integration

ESG factors can affect the performance and risk profile of fixed income investments. Within the Corporate Credit team, our fundamental security analysis process incorporates material risk factors, quantitative and qualitative, financial and non-financial. This includes ESG factors as appropriate. Using proprietary and external research sources, we seek to identify those companies whose exposures in these areas highlight potential business risks and require heightened focus. Analysts are responsible for understanding material ESG risks and incorporating them into their overall research and valuation process.

3. Responsible Ownership

As bond investors, we strictly adhere to our fiduciary duty and make decisions that protect our clients' interests as creditors. This can be manifested by granting or withholding our consent to proposed covenant or indenture changes and voting on restructuring proposals. We also seek to engage with issuers on a continuous basis. Regular management meetings enable our analysts and portfolio managers to improve their understanding of a credit investment's risk/reward profile, strategic positioning and fundamental outlook.

Where appropriate and material, we seek to understand how management teams acknowledge, manage and mitigate ESG factors. We prefer to take an informational approach to engagement, believing that the act of raising these issues serves as an important signal about the relevance of ESG factors, particularly for risk management. While the Corporate Credit team often reaches out to issuers on its own, we also leverage the GSAM Fundamental Equity team's ability to gain access to management, including meetings solely focused on ESG issues.

4. Resources and Implementation

The GSAM Fixed Income team is committed to the integrated analysis of ESG issues into our corporate credit process and believes that the recognition of these factors in our process can help us make better investment decisions for our clients. We plan to extend this to other areas of fixed income as appropriate, and more formally integrate ESG research and information into our risk and portfolio management and investment decision-making processes over time.

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