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# STEWARDSHIP REPORT 2022

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The engagement/proxy voting highlights presented here outline examples of Goldman Sachs Asset Management public markets investment initiatives, there is no assurance that Goldman Sachs' engagement/proxy voting directly caused the outcome described herein.

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Dear Client,

At Goldman Sachs Asset Management, we are strongly committed to our stewardship responsibilities we conduct on behalf of our clients. We exercise our shareholder rights via proxy voting, engage with company management and participate in industry leadership with the focus on promoting long-term shareholder value for our clients. It has been another busy year for our team, and we have continued to see increasing interest in our stewardship activities from our clients.

In 2022, we executed over 112,000 voting decisions across more than 11,500 shareholder meetings on behalf of our clients. Our Global Stewardship Team has continued to grow and has presence across three continents. The Global Stewardship Team, in collaboration with our public markets investment teams, has engaged with hundreds of companies around the world on a wide variety of important issues. Our engagements are based on our stewardship framework, bringing together our work in three main themes: the climate transition, inclusive growth, and corporate governance. These engagements are in addition to the thousands of company interactions as well as investment research and monitoring engagement meetings conducted by our public markets investment teams.

We also continued to work alongside other stakeholders to play our part in the wider industry stewardship landscape. For example, we continued our role in industry organizations and highlighted our expectations on board diversity through our work with the Japan Chapter of the 30% Club.<sup>1</sup> Our participation in these industry leadership forums help us serve our clients and their investments.

We are proud to present our fifth annual Stewardship Report, covering the 2022 calendar year. For the first time, the report covers the work of our Global Stewardship Team and members of our fixed income and equity investment teams as we continue to develop our collaborative approach to stewardship. The objective of this report is to provide our clients with insights into our approach to stewardship and highlight some examples of the work we did in 2022.

Sincerely,

**Catherine Winner, Global Head of Stewardship**

1. Source: <https://30percentclub.org/chapters/japan>.

# BY THE NUMBERS

## Proxy Voting

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**11,677**

meetings voted

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**49%**

meetings with at least one  
vote against management

---

**112,562**

proposals voted

---

**13%**

proposals voted against  
management

---

**65**

markets proxy voted

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**54%**

shareholder proposals  
supported

---

**1,224**

directors voted against for lack  
of board diversity

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**100%**

support for shareholder proposals asking for declassification  
of the board, a reduction in the supermajority vote requirement,  
and/or a majority vote for election of directors.

## Engagement<sup>2</sup>

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**1,587**

issuers engaged

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**583**

engagements with CEO, CFO  
and/or directors

---

**66**

markets represented by  
engagement

---

**2,219**

engagements conducted by  
Global Stewardship Team  
and public markets investment  
teams

**643**

thematic

**177**

proxy related

**208**

providing feedback

**1,191**

investment research  
and monitoring

## Industry Leadership

---

Joined Asian Corporate  
Governance Association,  
an industry association  
aimed at improving corporate  
governance and sustainability  
practices throughout  
Asia Pacific

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Served as a member  
of the Corporate Governance  
Advisory Council for  
the Council of Institutional  
Investors (CII)

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Continued leadership in the  
Japan chapter of the 30%  
Club, an organization dedicated  
to promoting gender diversity  
in Japan

<sup>2</sup> Includes engagements which included discussion of environmental, social and/or governance issues. Our investment teams may conduct additional engagements that may not cover these topics; these engagements are not included in this report.

# OUR APPROACH TO STEWARDSHIP

## Our Philosophy

At Goldman Sachs Asset Management, within our public markets investment businesses, we are committed to promoting and exercising effective stewardship among the companies represented in the portfolios we manage on behalf of our investing clients. We evaluate companies' corporate strategies, investment and financing activities, management incentives, resource use, regulatory policies, and environmental impact, as well as overall effect on and engagement with consumers, workers, and the communities in which they operate to assess and promote long-term value creation.

## Our Team

The Global Stewardship Team is led by Catherine Winner and has an additional 10 team members located in New York, Tokyo, The Hague, and London. The team is further supported by the broader Goldman Sachs Asset Management platform, that includes coordination among investment teams, legal, compliance, and operations.<sup>3</sup>

Our Global Stewardship Team has members with a wide range of experiences drawn from a variety of professional backgrounds. The team's proxy voting expertise is supported by a member with over ten years of experience advising corporate issuers and hedge funds on corporate governance matters. Two members of the team have over 22 years of combined research experience, who joined from the Goldman Sachs Global Investment Research division, most recently working as part of the sustainability-focused research team, GS SUSTAIN. The team's environmental, social and governance (ESG) reporting and regulatory expertise is aided by a member with over four years of experience at the UK Financial Reporting Council and previous experience in auditing and advising companies on ESG reporting. Other team members also have a range of experience including risk, audit, insurance broking, and NGO fundraising.

<sup>3</sup>. As of December 2022.

## Our Core Activities

Within the public markets investment business, the Goldman Sachs Asset Management Global Stewardship Team drives the continued enhancement of our approach to stewardship and serves as a dedicated resource to our public markets investment teams globally. The work of the Global Stewardship Team is centered around three core activities:

- **Engagement** with company management of a subset of companies we are invested in on behalf of our clients
- **Proxy voting** at companies where we have voting authority on behalf of our clients
- **Industry leadership** Industry leadership to share insights and build best practices across the stewardship space.

## How We Work with Our Public Markets Investment Teams

Our Global Stewardship Team works closely with our public markets investment teams to foster collaboration on key stewardship issues. The team works directly with our equity portfolio managers to carry out proxy voting activities. You can read more about our proxy voting process in the [Proxy Voting](#) section of this report.

With respect to engagement, several of our thematic engagements are executed across multiple public markets investment teams at Goldman Sachs Asset Management. For example, the Global Stewardship Team works closely with the Head of Responsible Investment in our Fixed Income business on our engagements on board diversity and material greenhouse gas (GHG) emissions. We also engage companies alongside members of our Fundamental Equity investment team. You can read more about this in the [Engagement](#) section of this report.

In addition, for certain portfolios, members of the Global Stewardship Team work directly with the Fundamental Equity and Fixed Income investment teams to engage with companies on material issues. You can read more about these engagements in the [Portfolio-Specific Campaigns](#) section of this report.

# KEY DEVELOPMENTS IN 2022

Area	2022 Developments	2023 Next Steps
<b>Global Stewardship Team Resourcing</b>	<ul style="list-style-type: none"> <li>Expanded our Global Stewardship Team to 11 members, adding additional corporate governance and proxy voting expertise</li> </ul>	<ul style="list-style-type: none"> <li>Continue to evaluate the effectiveness of our structure and identify areas for enhancement</li> <li>Continue to develop our voting and engagement processes across the team</li> <li>Seek to leverage the resources available as a result of the acquisition of NN Investment Partners</li> </ul>
<b>Engagement</b>	<ul style="list-style-type: none"> <li>Increased our thematic engagements to more companies and expanded our thematic approaches on global norms and the climate transition</li> <li>Improved our engagement tracking and reporting tools, adding granularity to our reporting and the ability to monitor outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Continue to enhance our ability to track and report on engagement progress and outcomes</li> <li>Improve client reporting experience</li> </ul>
<b>Proxy Voting</b>	<ul style="list-style-type: none"> <li>Continued engagement with portfolio companies on board diversity</li> <li>Published “Our Approach to Proxy Voting” and “Proxy Season Review” to share our views and observations</li> <li>Undertook outreach to proxy solicitor firms (as the advisor to companies) to provide transparency regarding our proxy voting process</li> </ul>	<ul style="list-style-type: none"> <li>Provide additional transparency in our public proxy voting records and client reporting</li> <li>Develop our internal systems and processes including enhancements to our proprietary system, Fluent</li> </ul>
<b>Integrating Stewardship and Investment</b>	<ul style="list-style-type: none"> <li>Fostered collaboration between investment teams on key proxy voting and engagement initiatives</li> <li>Partnered with portfolio managers to conduct in depth engagements for certain portfolios</li> </ul>	<ul style="list-style-type: none"> <li>Deepen integration of stewardship in our investment process and continue coordinating thematic engagement across asset classes</li> </ul>

# OUR STEWARDSHIP FRAMEWORK

The framework sets out our key stewardship objectives and explains how our voting and engagement efforts help us meet them.

	<b>Our Thematic Engagements<sup>4,5</sup></b>	<b>Engagement Objectives</b>	<b>How We Vote to Promote Our Objectives<sup>6</sup></b>	<b>Other Engagement Areas</b>
<b>Climate Transition</b>	<ul style="list-style-type: none"> <li>Material GHG emissions data</li> <li>GHG emissions reduction targets</li> <li>Climate transition strategy</li> <li>Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Promote disclosure of material GHG emissions</li> <li>Discuss companies goals to reduce GHG emissions</li> <li>Identify and address adverse impacts on biodiversity, resulting from deforestation and plastics in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>We vote case by case on all environment-related management and shareholder proposals</li> <li>We may vote against board members for failure to disclose material climate-related information</li> </ul>	<ul style="list-style-type: none"> <li>Encourage the use of the SASB standards and Task Force on Climate-related Financial Disclosures (TCFD) frameworks</li> </ul>
<b>Inclusive Growth</b>	<ul style="list-style-type: none"> <li>Board diversity</li> <li>Workforce diversity in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Focus attention on both gender and ethnic diversity on corporate boards globally</li> <li>Promote best practices and disclosure with respect to diversity and inclusion within the workforce</li> <li>Encourage best practices related to labor rights</li> </ul>	<ul style="list-style-type: none"> <li>We vote against members of the nominating committees of boards that have fewer than 10% women or fail to meet higher local market standards</li> <li>We vote against members of the nominating committees of S&amp;P 500 and FTSE100 boards that lack at least one diverse director from a minority ethnic group, in addition to meeting our gender expectations</li> </ul>	<ul style="list-style-type: none"> <li>Encourage the publication of workforce diversity data using EEO-1 forms or similar</li> <li>Encourage the use of best practices for diversity and inclusion initiatives</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>Global norms violations<sup>7</sup></li> <li>Regional governance best practices</li> </ul>	<ul style="list-style-type: none"> <li>Identify and address the impacts of controversial business practices and violations of global norms</li> <li>Strengthen shareholder rights and commitments to best governance practices</li> </ul>	<ul style="list-style-type: none"> <li>We may vote against certain board members at companies, that in our view, may have violated global norms</li> <li>We may vote against certain board members at companies, that in our view, do not meet the governance expectations stated in our Proxy Voting Policy</li> </ul>	<ul style="list-style-type: none"> <li>Encourage alignment between executive compensation and shareholder interests</li> <li>Gather information to make informed proxy voting decisions</li> </ul>

4. Our engagement objectives are reviewed, enhanced, and monitored on an ongoing basis in an effort to ensure they incorporate current issues and evolving views about key ESG topics.

5. In addition to thematic engagements driven by the Global Stewardship Team's objectives, for select portfolios we may perform additional targeted engagements.

6. This is a high-level summary of examples of some of our relevant voting activities, for further information please refer to our Global Proxy Voting Policy.

7. Based on our internal proprietary Global Norms assessment and tiering process.



# PROXY VOTING

## Our Approach to Proxy Voting

Exercising our client's shareholder rights via proxy voting is an important element of the portfolio management services that we provide to our advisory clients who have authorized us to address these matters on their behalf. As a fiduciary, our guiding principle in performing proxy voting is to seek to make decisions in the best interest of our clients by favoring proposals that, in our view, maximize a company's shareholder value. This reflects our belief that sound corporate governance can create a framework within which a company can be managed for the long-term benefit of shareholders.

For our public markets investment businesses, Goldman Sachs Asset Management has developed a customized Global Proxy Voting Policy (the Policy), to execute our voting responsibilities where clients have delegated proxy voting responsibility to us. We seek to update the Policy annually to incorporate current issues and evolving views about key governance topics. The Policy is customized regionally and allows us to take a nuanced approach to voting that is specific to regions and countries.

To govern our proxy voting responsibilities, we have created a Goldman Sachs Asset Management Public Markets Business Proxy Voting Council, comprised of stakeholders from the Global Stewardship Team, equity investment teams, divisional management, legal, and compliance. The purpose of the Proxy Voting Council is to bring together key stakeholders to annually review and recommend potential policy changes, discuss any potential changes to the voting process and convene on voting topics that may arise during the year.

For more on our approach to voting, please see our [Global Proxy Voting Policy](#) and our [Global Approach to Proxy Voting](#) on our website.

## Our Expectations of Our Portfolio Companies

### Approach to Governance

We generally believe companies should seek to comply with commonly accepted corporate governance best practices as well as the corporate governance standards that are applicable in their jurisdiction of incorporation.

### Shareholder Rights

All shareholders should be given the opportunity to participate effectively and on an informed basis in shareholder meetings. Companies should facilitate the exercise of ownership rights by all shareholders, including by giving shareholders timely and adequate notice of all matters proposed for a shareholder vote. Generally, "one-share-one-vote" structures are preferable.

### The Board of Directors

We seek to hold the Board of Directors accountable for actions and results related to their responsibilities. The Board of Directors should be accountable to shareholders and stakeholders and should base their decisions on what is in the best long-term interests of the company, its shareholders, and its stakeholders.

Boards should be made up of a majority of independent directors or meet local market best practices. We generally believe diverse teams have the potential to outperform and we expect the directors of public companies to have diverse skill sets and experiences. Diversity of ethnicity, gender, and experience are important considerations in Board composition. Boards should generally consist of directors with varied tenures and focus on succession planning for refreshment of directors over time.

Boards should establish committees to oversee areas such as audit, executive and non-executive compensation, director nominations and risk oversight as required by their local market best practices or as is appropriate for the company's circumstances and operations. The responsibilities and membership of these committees should be publicly disclosed.

Board members should ensure that they have sufficient time available to discharge their duties and should attend Board and committee meetings regularly.

#### **Executive Compensation**

Executive compensation plan structures are generally an important element of the corporate governance framework. Good compensation plans have characteristics that seek to attract and retain key executives and align management's compensation with long-term shareholder value creation and shareholder's best interests. We generally believe that compensation committees are best placed to know what is needed for the plans they are responsible for and will generally be supportive of plans that broadly meet the characteristics that we consider important.

#### **Reporting and Audit**

Companies should provide high quality, reliable and transparent financial and non-financial reporting. An independent, high-quality audit is important for shareholders. Auditors should be independent, and any non-audit related fees paid to the audit firm should therefore not be excessive. The Board (or its appropriate committee) should take steps to ensure that company reporting is reliable, fair and balanced and understandable and that the external auditor delivers a robust and high-quality audit.



We vote on shareholder proposals on a case-by-case basis, guided by our overarching goal to cast votes in the best interests of shareholders. What this means in practice is that we are looking at the nuance and context of the proposal. We are looking at the specific asks and consider factors including materiality, cost, transparency and prescriptiveness. We also consider factors including what the company is already doing, what its reporting looks like, how it compares to peers and any controversies. This all helps us to make an informed decision on how to vote.”

#### **Lydia Mulyk**

Americas Head of Stewardship

## **Our Approach to Shareholder Proposals**

Our approach is focused on voting to maximize shareholder value on behalf of clients, and our voting decisions on shareholder proposals are considered on a case-by-case basis. We recognize that many factors can affect investment performance, expose potential investment risks and provide an indication of management excellence and leadership.

When evaluating shareholder proposals, we seek to assess the purpose and impact of each proposal considering the long-term overall benefit to shareholders, and may take into consideration factors such as:

- The company's current level of publicly available disclosure
- If the company has implemented or formally committed to the implementation of a reporting program based on the SASB materiality standards or a similar standard
- Whether the proposal is likely to enhance or protect shareholder value

## PROXY VOTING SNAPSHOT

We implemented new and enhanced global voting policies for 2022 that included increasing our expectations for levels of board diversity and our approach to voting on shareholder proposals. The proxy season was busy, with a record number of shareholder proposals submitted for shareholder voting. We observed that many of these proposals made significant demands of companies on a variety of topics.

### Meetings

# 11,677

meetings voted

# 49%

of meetings with at least one vote against management

### Proposals Voted

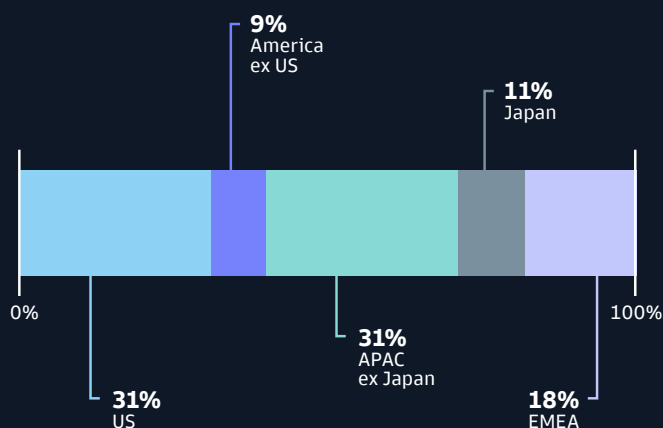
# 112,562

proposals voted

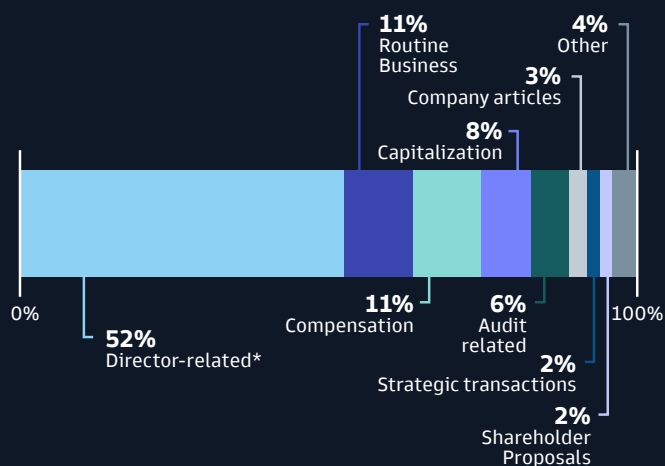
# 13%

proposals voted against management

### Meetings by Region



### Proposals Voted by Category



\*Voted against 8,174 directors (16% of directors voted)

Percentages may not sum to 100% due to rounding.

We continued to hold boards accountable for their actions by voting against the election of directors where appropriate.

Across the industry, the proportion of nominated directors receiving less than 80% support in the United States rose to 7.1% in the first half of 2022 from 6.9% in the same period a year earlier; globally, this percentage fell to 4.48% from 4.55%.<sup>8</sup>

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### Director Elections

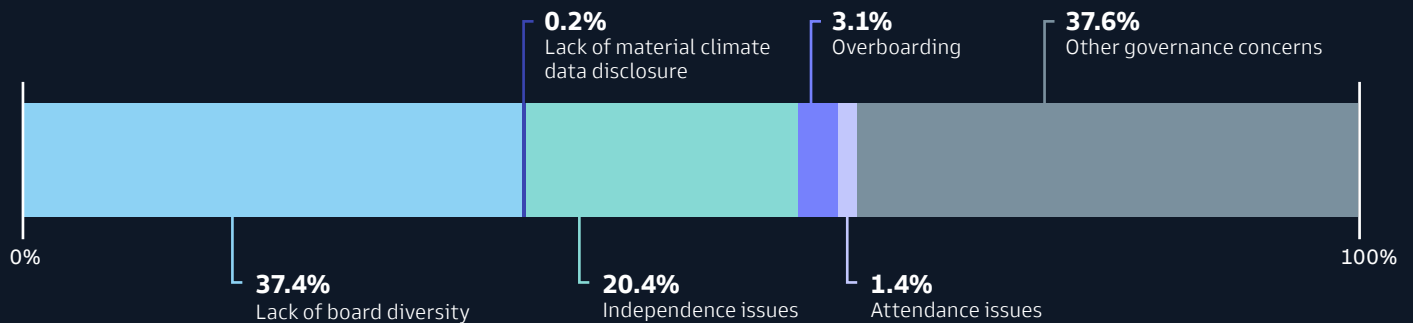
# 8,174

number of directors voted against

# 16%

percentage of directors voted against

In 2022 we voted against 8,174 directors globally for the reasons illustrated below:



Please see the [Appendix](#) for more details on our voting activity during 2022.

8. Insightia Monthly data from the Half Year Review Volume 1 Issue 5, July 2022.

## REGIONAL HIGHLIGHT: ELECTRONIC PROXY VOTING IN JAPAN

Japan has historically lagged other major developed markets in the digitalization of voting rights.<sup>9</sup> The 2021 revision of the Japan Corporate Governance Code<sup>10</sup> is changing that. It requires companies in the TSE Prime Market to accept electronic voting, and since it took effect we have seen a significant increase in the adoption of electronic voting by Japanese companies.

In 2022, Goldman Sachs Asset Management Co., Ltd adopted electronic proxy voting in the Japanese voting process via the Investor Communications Japan (ICJ) platform, a joint venture of Broadridge Financial Solutions, Inc. and the Tokyo Stock Exchange, Inc. As a result, all shareholder voting for listed Japanese companies participating in the ICJ platform, for which Goldman Sachs Asset Management has voting rights, were exercised electronically.<sup>11</sup>

We believe electronic proxy voting is an important component of best practice voting. Electronic voting significantly improves the efficiency of the proxy voting process, freeing up time (as much as a week) for analysts and portfolio managers to conduct engagements and analysis on proxy vote proposals in order to vote in the best interests of shareholders. This efficiency is particularly important in Japan, where peak annual shareholder meeting season is highly concentrated, with more than 2,000 meetings occurring during the last two weeks of June.<sup>12</sup>

### Benefits of Electronic Voting

#### Issuers

- Able to know how shareholders are voting on resolutions in advance<sup>13</sup>
- Able to take action based on the current voting status, including disclosing supplementary documents to investors or proxy advisors prior to the shareholder meeting

#### Investors

- Proxy voting operations are streamlined, especially during peak season
- With time savings from operational efficiency, investors can hold engagements, request additional information, and conduct further analysis in order to make more thorough voting decisions in the best interests of shareholders

Source: ICJ, Goldman Sachs Asset Management.

9. According to the report published by Ministry of Economy, Trade and Industry, more than 90% of institutional investors vote electronically in the United States and the United Kingdom.

10. <https://www.jpix.co.jp/english/news/1020/b5b4pj0000046kxj-att/b5b4pj0000046l0c.pdf>

11. In limited situations we are not able to exercise votes electronically.

12. Calculated based on data published by TSE (<https://www.jpix.co.jp/listing/event-schedules/shareholders-mtg/index.html>)

13. Japan has a system that allows companies to know in advance how investors are voting, when electronic voting is utilized

# ENGAGEMENT

## Our Approach to Engagement

Communication with companies and issuers is a key component of our approach to stewardship. We classify and report on this activity using the definitions below:

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### Engagements

Instances where active dialogue or exchange of written communication with a company or issuer has occurred

Type	Example
Company 1x1	A meeting between one company and members of Goldman Sachs Asset Management only
Company meeting (multiple investors)	A meeting between one company and members of Goldman Sachs Asset Management alongside other asset managers or analysts from other firms
Company Field Trip	Company organized field trip attended by Goldman Sachs Asset Management

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### Interactions

Other types of interactions where we are not actively participating in an exchange of views

Type	Example
Conference	Attending an industry conference without meeting with a company 1x1 or in a small group meeting
Investor Day	Attending an issuer's investor day to hear presentations
Annual Meeting	Attending or listening to a company's Annual General Meeting

## Categories of Engagements

Our engagements with companies generally fall into one of the below four categories.

### Thematic Engagements

- Thematic engagements from our stewardship framework or portfolio-specific engagement plans
- Examples include our engagements on biodiversity and addressing global norms violations or targeted portfolio-specific engagements

### Proxy Related Discussions

- Intended to help inform our proxy voting decisions
- Examples include meetings to discuss compensation plans and/or shareholder proposals

### Providing Feedback

- Conducted generally at the request of issuers to provide feedback on reporting or other matters
- Examples include questions from companies on our preference on ESG frameworks such as SASB or TCFD

### Investment Research and Monitoring

- Undertaken primarily to seek information or inform our investment decisions
- Examples include analysts engaging with companies on earnings, non-financial material metrics, or other strategic matters

Our thematic engagements are reviewed, enhanced, and monitored on an ongoing basis in an effort to ensure they incorporate our clients' and investment teams' feedback on current issues and evolving views about key material topics. We seek to listen to feedback from our clients, and gather feedback internally via our Engagement Working Group to help us to develop our engagement themes.

Many of our engagements with issuers seek to encourage positive change. The outcomes can be seen in a variety of ways, including:

- Companies may increase disclosure
- Companies may address and remedy negative impacts on the environment and/or people
- Companies may develop and implement sustainability policies
- Changes may be made to board composition and structure
- We may learn information about stewardship related issues which may support our investment process
- We may escalate our engagement activities or inform our proxy voting

14. Engagements with management teams may include discussions on ESG matters along with other topics, whereas in other cases we may conduct meetings focused specifically on ESG topics.

## Methods of Engagements

We use three broad methods for engagement:

### Single Team

- Engagement with a company conducted by members of a single team within Goldman Sachs Asset Management
- For example, a call between a Fixed Income analyst and an issuer regarding the issuer's third party ESG score

### Multiple Team

- Engagement with a company conducted by members of more than one team within Goldman Sachs Asset Management
- For example, a call with a Fundamental Equity analyst and the Global Stewardship Team about a proxy related matter

### Industry Initiatives

- Engagement with a company as part of an industry initiative
- For example, the Global Stewardship Team participating on a call with a company alongside others

## Modes of Engagements

We can engage with issuers in various ways depending on specific circumstances. We generally classify our engagements in the following ways:

### Active Engagement

- Active engagements with an issuer in person, on video, or by telephone

In cases where we exchange written communications and also meet with the issuer, we will generally classify this as an active engagement for the purposes of reporting.

We also track instances where the Global Stewardship Team attempted to engage, for example by sending a letter or a meeting request but received no response from the company. We do not report unacknowledged outreach attempts as engagements.

For further information, please refer to our [Approach to Stewardship](#).

### Written Communication

- Instances where we have had a substantive exchange of views over email, similar in content to an engagement meeting
- For example, where a company responds to our questions in writing and/or acknowledges our positions and requests, but we do not then follow up with an in person discussion



## ENGAGEMENT SNAPSHOT

The below only includes engagements which included discussion of E, S or G issues. Our investment teams may conduct additional engagements that may not cover these topics; these engagements are not included in this report.

**2,219**  
engagements conducted

**1,587**  
unique issuers engaged

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### Engagements by Issuer Type

<b>2,183</b>	<b>16</b>	<b>20</b>
corporate	sovereign	supranational, municipal or agency

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### Modes of Engagement

<b>1,871</b>	<b>348</b>
active engagement	written communication

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### Engagements by Region

<b>688</b>	<b>763</b>	<b>768</b>
in EMEA	in APAC	in Americas

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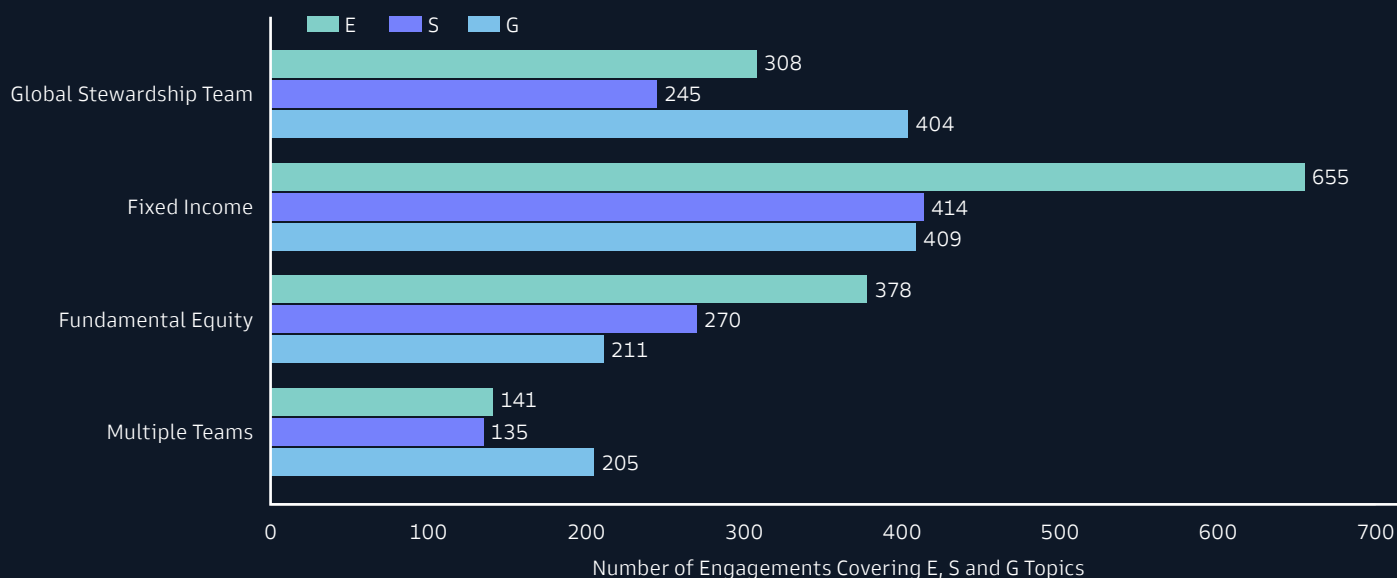
### Engagements by Category

<b>643</b>	<b>177</b>	<b>208</b>	<b>1,191</b>
thematic engagement	proxy related engagement	providing feedback	investment research and monitoring

## Engagements by Team

	Global Stewardship	Fixed Income	Fundamental Equity	Multiple Teams
	<b>533</b>	<b>779</b>	<b>675</b>	<b>232</b>
Thematic Engagement	<b>276</b>	<b>225</b>	<b>24</b>	<b>118</b>
Proxy Related Engagement	<b>119</b>	<b>0</b>	<b>1</b>	<b>57</b>
Providing Feedback	<b>138</b>	<b>6</b>	<b>15</b>	<b>49</b>
Investment Research and Monitoring	<b>0</b>	<b>548</b>	<b>635</b>	<b>8</b>

## Engagements covering E, S and G topics<sup>15</sup>



15. Most of our engagements cover more than one E, S or G topic and so the sum of engagements per topic will generally be larger than the total number of engagements.

# INDUSTRY LEADERSHIP

## Our Approach to Industry Leadership

Leveraging resources and knowledge across Goldman Sachs helps make the Global Stewardship Team a thought leader for our clients. The team represents Goldman Sachs Asset Management at various conferences and industry forums and supports strategic industry initiatives.

We participate in numerous forums and media events each year to gain perspective on the evolving corporate governance and sustainability landscape across different regions.

Goldman Sachs Asset Management seeks to build industry influence and promote best practices in stewardship through its memberships and affiliations.

## HIGHLIGHTS OF OUR WORK IN 2022

### 30% Club

In 2020, we joined the Japan chapter of the 30% Club, a group dedicated to promoting gender diversity throughout all levels of an organization. Comprised of investors and companies, the 30% Club aims to achieve corporate diversity comprehensively and efficiently, with the ambition of reaching 30% women officer representation at TOPIX100 companies by 2030.<sup>16</sup>

We have taken a leadership role in the group, with our APAC Head of Stewardship, Chris Vilburn, serving as a board member for the 30% Club Investor Group and co-head of the Thought Leadership sub-group, and a Global Stewardship Team member, Mayu Nishimura, serving as Co-Secretariat of the Investor Group.<sup>17</sup>



### Spotlight: Supporting the Development of Future Women Leaders

The 30% Club Japan Thought Leadership group hosted a training event in December 2022 for approximately 40 senior women leaders from 30% Club member companies to help develop the pipeline of future women executives and directors.

The event providing training on corporate governance, board director roles, and best practices for developing workforce and leadership diversity.

16. 30% Club Japan Chapter website, 2021.

17. As of December 2022.

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## Council of Institutional Investors

Jen Sisson, EMEA Head of Stewardship, served as a member of the Corporate Governance Advisory Council (CGAC) for the Council of Institutional Investors (CII) in 2022. Prior to Jen's joining, Catherine Winner served a three-year term on the CGAC and in 2021 served as its Chair.

The CGAC provides input to the CII board and staff on corporate governance developments and trends, including thought leadership on best practices. It also advises on CII activities that can best promote effective corporate governance and enhance the value of CII membership. Finally, the CGAC shares insights relevant to CII policy development and recommends speakers and topics for CII events, policies and other initiatives.



### Spotlight: Sharing Our View on Disclosure

Members of the Global Stewardship Team and the Fundamental Equity investment team presented at a webcast for the Energy Infrastructure Council (EIC), a non-profit trade association for energy infrastructure companies.

More than 50 participants attended the event, including midstream energy companies, buy-side investors and sell-side analysts. The webinar highlighted the release of a reporting template designed to help guide midstream energy companies in identifying and disclosing material ESG data. We highlighted the importance of material ESG disclosure and shared information on how we approach ESG integration.

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## IFRS International Sustainability Standards Board (ISSB)

We have been a member of the Sustainability Accounting Standards Board Investor Advisory Group since 2018 and continue to support their work as part of the ISSB. We currently hold two seats on the ISSB Investor Advisory Group (IAG).



Alongside the core financial statements, high quality material non-financial data is critically important for investors. As we move toward national and international standards for sustainability reporting, we strongly encourage companies to report using the SASB metrics for their sector and aligned with the TCFD recommendations. We think this is a practical route forward, and it will be a good steppingstone on the way to consistent, comparable reporting. We were pleased with the announcement of the International Sustainability Standards Board and hope that the ISSB standard-setting process will result in a strong international baseline of sector-based sustainability standards.”

### Jen Sisson

EMEA Head of Stewardship

# CLIMATE TRANSITION

## Engagement

- Engage with issuers on current GHG emissions, reduction of emissions and transition strategy
- Engage with issuers on their impacts on biodiversity

## Proxy Voting

- Vote on a case-by-case basis on environment-related shareholder proposals
- Vote against directors at companies identified through our engagement framework that disclose no material emissions data

## Industry Leadership

- Promote disclosure through the SASB standards
- Encourage reporting in line with the TCFD

## Our Approach to the Climate Transition

We've long believed the transition to a more sustainable economy would be a decades-long effort; to advance that transition, more risk capital must be invested in developing new, clean technologies, especially for the highest-emitting sectors; and in solving such a complex problem lies enormous opportunity for the companies we are investing in on behalf of our clients. We believe that engagement on these opportunities can promote long term value creation for shareholders.

Our Global Stewardship Team has partnered with our debt and equity investment teams to establish a framework for engagement on key risks and opportunities related to environmental matters.

Specifically, this framework has the following three primary objectives for portfolio companies:

### 1. Disclose Material Data

Promote disclosure of material GHG emissions data considered material to a company's business

### 2. Set Targets

Encourage companies to set and disclose a target to reduce GHG emissions, where relevant and material

### 3. Execute Strategy

Engage with companies in high-impact industries on the implementation of a robust and quantifiable climate transition strategy

We designed these objectives by partnering with our investment teams and our Engagement Working Group, which brings together individuals from various investment teams to discuss engagement plans and share progress, to understand what data would aid in their investment process and help them make informed investment decisions on behalf of our clients. Lastly, we considered global established frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD).

## OBJECTIVE 1: DISCLOSE MATERIAL DATA

Material data on GHG emissions can be a useful tool for our investment teams to incorporate into their investment process and for our clients who want to understand the material emissions associated with their investment portfolio.

### How We Engaged

In 2020, we identified 271 companies across 30 markets that were not disclosing emissions data but whose emissions were considered material to their business under the SASB standards.

Using third party data of company emissions, we identified the companies with the highest carbon intensity contribution to our portfolios that were not disclosing material emissions data. We then conducted due diligence to review whether the third party data was correctly capturing company disclosures, as in some cases, companies were in fact disclosing data that was not being captured by third parties.

Greenhouse gas emissions are divided into three categories based on how they are produced:<sup>18</sup>

- Scope 1 emissions are direct emissions from owned or controlled sources;
- Scope 2 emissions are indirect emissions from the generation of purchased energy; and
- Scope 3 emissions are all indirect emissions not included in scope 2 that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions (for example, the emissions produced by a company's suppliers) and downstream emissions (for example, the emissions produced by the use of a company's sold products).

For each company, we identified which scopes we consider material under the SASB standards and sought to engage with companies that were disclosing none or some, but not all, the material categories of emissions.

#### CASE STUDY

Category: Thematic

Theme: Climate – Disclose Material Data

Country: Japan

Sector: Industrials

Our Global Stewardship Team engaged with the company's Investor Relations team in June 2022 to discuss the company's progress on climate related disclosures.

We had previously engaged with the company in 2021 to discuss the disclosure of material emissions data. During this follow up, the company shared key progress to-date, which included calculating its scope 1 and 2 emissions. The company plans to disclose this data and announce their support for TCFD.

The company stated its intention to set a long-term GHG target within the fiscal year.

18. Source: Greenhouse Gas Protocol, 2022. Please see the Greenhouse Gas Protocol website for more information.

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.

## Progress to Date

We have engaged or attempted to engage with these 271 companies since 2020, either directly or via written communication, and we have seen significant progress. [In 2022, we conducted 97 engagements with 94 companies as part of this initiative.](#)

We classify the companies into three categories:

- Non-disclosing: companies that disclose no material emissions data
- Partially disclosing: companies that are disclosing some but not all material categories of emissions data
- Fully disclosing: companies that are disclosing all material categories of emissions data

**Since 2020, 39% are now fully disclosing material emissions data.<sup>19</sup>**

We recognize that many of the companies in the partially disclosing category are reporting scopes 1 and 2 but not disclosing either scope 3 upstream or downstream emissions, which can be more challenging for companies to disclose owing

to methodological complexity, extensive supply chains or lack of visibility into customers' emissions. We will continue to monitor the disclosure of material emissions data, where appropriate.

We have also integrated this objective into our proxy voting policy—beginning March 2022, we updated our policy to vote against board directors of relevant committees at identified companies that had not made progress on disclosing material emissions data where it is material to their business.

**During 2022, we voted against 22 directors at 16 companies that were disclosing no material emissions data.** We were encouraged by the progress made by several companies that published material emissions data ahead of their annual meetings, which allowed us to support the directors.

### CASE STUDY

Category: Thematic

Theme: Climate – Disclose Material Data

Country: USA

Sector: Consumer Discretionary

During an engagement with the company's Investor Relations team and General Counsel in October 2021, we discussed their plans to disclose scope 2 emissions, which are material to the company, and to use SASB to guide disclosures. They noted they had not evaluated any ESG frameworks and were not publishing any quantitative emissions metrics.

As the company was still not reporting any emissions data by their 2022 annual meeting, we voted against the Chair

of the Corporate Governance and Nominating Committee, which oversees ESG-related issues at the company.

We engaged again with the company in November 2022. The company had made progress in publishing its first sustainability report but was still not disclosing quantitative emission data.

While the company has not yet published its emissions data, we discussed their progress in working with their original equipment manufacturer (OEM) partners and utility companies to prepare the grid for the infrastructure needs of EVs. For example, the company recently produced a study in partnership with one of their OEMs to benchmarking energy usage and related costs over the past six years.

19. Source: MSCI and Goldman Sachs Asset Management research, as of year-end 2022, compared to October 2020.

**CASE STUDY**

Category: Thematic

Theme: Climate – Disclose Material Data

Country: Israel

Sector: Energy

We identified the company as not disclosing any material emissions data. After attempting engagement in 2020 and 2021, we voted against members of the board in 2022 to express our view.

Later in 2022, the company released an ESG report which disclosed material scope 1 and 2 emissions and described key governance and climate strategy initiatives.

We engaged with the company's Sustainability Officer and ESG team in December 2022 to give our feedback and to understand their approach to disclosing material emissions and key reduction initiatives. We encouraged the company to set a long-term emissions target and to disclose material emissions.

**OBJECTIVE 2: SET TARGETS**

For companies in industries where GHG emissions are material, we believe disclosure of an emissions reduction target can serve as an important data point for use in our investment process. Further, we believe companies, where GHG emissions are material, without targets may face risks relating to failing to manage their GHG footprint.

**How We Engaged**

Since 2021, we have engaged or attempted to engage with 70 companies whose GHG emissions are material under SASB but which have no targets to reduce emissions.

Through these conversations we encourage companies to set and disclose emissions reduction targets and to report in line with TCFD guidance, which recommends that organizations consider the following with respect to targets:<sup>20</sup>

- Whether the target is absolute or intensity-based
- Time frames over which the target applies
- Base year from which progress is measured
- Key performance indicators used to assess progress against the targets

Other key areas for consideration include which emissions categories (scopes 1, 2 or 3) and what portion of operations is included in the targets.

20. Source: MSCI and Goldman Sachs Asset Management research, as of year-end 2022, compared to October 2020.

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**CASE STUDY**

Category: Thematic  
 Theme: Climate – Set Targets  
 Country: Canada  
 Sector: Materials

In February 2022, our Global Stewardship Team engaged with the Investor Relations team at the company to discuss their climate transition strategy, focusing on the company's lack of emissions reduction targets.

We discussed the company's projects underway to reduce emissions, setting a quantitative target, as well as disclosing climate-related risks and opportunities in line with the TCFD recommendations.

Later in 2022, the company announced targets to reduce absolute scope 1 and 2 emissions by 35% by 2030 across their operations versus a 2019 baseline. The company also aligned its climate-related disclosures to the TCFD recommendations.

**CASE STUDY**

Category: Thematic  
 Theme: Climate – Set Targets  
 Country: Brazil  
 Sector: Industrials

In June 2022, our Fixed Income Emerging Market credit research analyst and ESG team engaged with the issuer's sustainability officer and Investor Relations team to discuss GHG emission targets.

We acknowledged the 2045 target that the company had set along with evidence of plans to upgrade its fleet to

"Next Generation," reducing emissions and improving energy efficiency.

The issuer does not currently set short- or medium-term targets.

The Fixed Income team informed the company that setting such targets is becoming the norm for companies where GHG emissions are material, and that best practice increasingly includes third-party scientific validation of targets.

## Progress to Date

We have been engaging with companies on target setting for several years now and have seen some progress in companies setting targets, for example, [seven of the 21 \(33%\) of the companies we engaged with in 2021 have since set targets to reduce emissions.](#)<sup>21</sup> We conducted 29 engagements through this framework in 2022.

21. As of December 2022, third party and Goldman Sachs Asset Management research.

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.

## OBJECTIVE 3: EXECUTE STRATEGY

Through these engagements, we seek to engage with a targeted universe of companies in high-impact industries, whose GHG emissions are material to their business, on the implementation of a robust and quantifiable climate transition strategy.

These engagements are highly varied, reflecting the unique challenges facing each industry, region, and company.

In general, we encourage a company to disclose an emissions reduction target that has short- and medium-term elements in support of a longer-term goal, covers 95%+ of scope 1 and scope 2 emissions, includes intensity metrics and assessment against geographic or sectorial pathways, is supported by a

clear plan and milestones, and is aligned with science-based methodologies.

We also encourage companies to disclose the board oversight of their climate transition strategy, disclose a quantified plan to meet their GHG targets and disclose how capital expenditure plans align to achieving their targets.

### How We Engaged

These engagements cover three key items:

1. The quality of the company's emissions reduction targets;
2. How these targets fit into a broader climate transition strategy at the company, and
3. The extent to which the company's governance, operational performance, and reporting support its climate transition strategy.

#### CASE STUDY

Category: Thematic

Theme: Climate – Execute Strategy

Country: France

Sector: Energy

In November 2022, members of the Global Stewardship Team engaged with the company's Investor Relations team to discuss their climate transition strategy, capital allocation and performance.

We discussed the company's long-term plans for net zero 2050, including their spending on research and development (R&D) as well as the tests applied for approval of new capital

projects. We also discussed the company's climate-related financial accounting and overall sustainability disclosures.

We noted that the company's reporting format is strong and encouraged continued annual progress reporting. We also encouraged greater clarity around milestones for the climate plan between 2030 and 2050 and the linkage to planned capital expenditure and R&D spending.

We suggested to the company that bringing its response to these issues and the wide range of related public information related to it together in one place on the website to make it more easily accessible and to help investors understand the response.

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**CASE STUDY**

Category: Thematic  
 Theme: Climate – Execute Strategy  
 Country: USA  
 Sector: Industrials

In June 2022, our Fixed Income teams engaged with the company's Sustainability Officer and Investor Relations team to discuss its climate transition strategy.

This engagement followed a positive engagement in 2021 where the issuer explained its focus on net zero. We had a follow-up discussion in 2022.

The Fixed Income teams discussed the existence of a long-term net zero target and a SBTi-verified interim target with a trajectory well below 2°C and sought to understand if the issuer was now driving capital expenditure off this ambition.

We also discussed shadow pricing, which is being used to communicate to the board and discussed the setting of targets around sustainable aviation fuel.

**CASE STUDY**

Category: Thematic  
 Theme: Climate – Execute Strategy  
 Country: India  
 Sector: Materials

In June 2022, our Fixed Income team engaged with the company's Investor Relations team to discuss its climate transition strategy.

The Fixed Income team had met previously with issuer in 2020, 2021 and 2022 to discuss GHG emissions reduction. While the issuer has a 2050 net zero target for some of its locations, it faces challenges elsewhere because of its aging blast furnace fleet.

In 2022, our engagement continued to focus on how these challenges could be addressed, including plans to use carbon capture technology. Despite concerns in previous years on the viability of the use of hydrogen as a fuel source, the issuer remained open to exploring this further.

The Fixed Income team discussed the issuer's plans to expand reduction targets to its operations in other locations, including setting more ambitious targets than other steel producers in the region.

## Progress to Date

We conducted 115 engagements with 112 companies on their climate transition strategies in 2022, and we plan to continue in 2023.



Our approach to engaging on the climate transition is grounded in our role as a fiduciary to our clients. The climate transition represents a material risk and opportunity for many companies, with potential impact on current or future revenues, costs and valuations. We aim to understand how our portfolio companies are managing the risks and opportunities related to the transition to a low-carbon economy, and we encourage best practices through engagement and thoughtful proxy voting. These engagements also allow us to understand how companies are planning to navigate the transition, taking into account differences between business models, sectors and geographies”

**Chris Vilburn**, APAC Head of Stewardship

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.

## Other Climate-Related Areas

### Shareholder Proposals

Following record levels of support by investors for environment-related shareholder proposals in 2021, the volume of proposals submitted to a vote increased substantially in 2022.<sup>22</sup> The nature of the proposals submitted was often more demanding or prescriptive than in previous years. For example, proposals in 2021 called on companies to publish reports on climate-related risks and opportunities. In 2022, we saw proposals specifically requesting detailed scope 3 emissions reduction targets and SBTi-approved targets. Voting results show that support for environment-related shareholder proposals decreased in 2022, partly because of increased scrutiny by investors of the caliber of proposals and proponents, the prescriptive nature of the proposals and the geopolitical climate.

**During the 2022 proxy season, we supported 34% of environmental-related shareholder proposals.**

### “Say on Climate” Resolutions

Shareholder proposals calling for a “say on climate” began to appear in late 2020. The proposals encourage companies to develop and implement climate transition plans aligned with the Paris Agreement and to allow shareholders to vote on these plans at annual shareholder meetings. While relatively few such proposals came up for a vote in 2022 compared with the previous year, many companies, particularly in Europe and Australia, voluntarily adopted some form of management-proposed “say on climate” vote. In 2022, we updated our proxy voting policy to vote case-by-case on management-proposed climate transition plans. In 2022, we voted on:

- **Management-sponsored climate transition plans at 47 companies, supporting 94%**
- **Six shareholder proposals requesting companies adopt “say on climate,” supporting none**

22. <https://corpgov.law.harvard.edu/2022/06/07/an-early-look-at-the-2022-proxy-season>.

23. <https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/environmental-issues/biodiversity>.

24. Many of our engagements cover more than one topic or theme.

## Engaging on Biodiversity

Biodiversity loss can represent a key investment risk related to climate change. Biodiversity has a role in ensuring the resilience of natural capital assets—which society and business depend on—and securing them for the future. However, land use change, climate change, exploitation and pollution are driving biodiversity and ecosystem loss. This loss creates risks and opportunities for society, business and investors.<sup>23</sup>

Recognizing this risk, we seek to engage with a targeted group of Fast Moving Consumer Goods (FMCG) companies, a sector which includes companies having a significant impact on total global plastics and packaging waste and pollution. Through engagement, our goal is to understand the company’s approach to managing risks associated with biodiversity and to promote accountability and best practices.

In 2022, we focused our stewardship work related to biodiversity on two themes:

- **Plastics:** Encouraging companies to disclose plastics usage and waste, and to set high quality targets for plastics waste reduction.
- **Land Use:** Engaging with companies facing severe controversies relating to the impacts of land use in their operations focused on plastics, packaging and waste.

Our Global Stewardship Team conducted **28 thematic engagements** with companies on biodiversity topics in 2022.<sup>24</sup>

### Plastics

In our view, FMCG companies can have a significant impact on total global plastics and waste.

Our Global Stewardship Team has engaged with some of the largest FMCG companies on how they are approaching key risks and opportunities related to plastics, packaging and waste.

The goal of these engagements is to seek to encourage companies to disclose their plastics usage and to increase disclosure of plastics waste and pollution resulting from their operations. We also seek to encourage companies to set and disclose high quality targets for plastics waste reduction.

**CASE STUDY**

Category: Thematic  
 Theme: Biodiversity – Plastics  
 Country: UK  
 Sector: Consumer Staples

In December 2022, the Global Stewardship Team engaged with members of the company's Global Sustainability team and Investor Relations team. This meeting built on our 2021 conversations with the company on plastics and packaging.

We discussed the company's progress toward meeting its plastic-reduction targets and plan to mitigate risks, including R&D related to reducing virgin polyethylene terephthalate (PET) given the challenges in obtaining recycled PET.

We asked about the timing of disclosures because the company's current plastics disclosures run on a July-June reporting year, with the result that in December 2022 public disclosures were still related to 2021 performance. We encouraged more timely reporting where possible and suggested that it would be helpful to show alignment with the financial reporting year and links to strategic priorities.

We also encouraged more clarity in public reporting on planned steps to meet the targets, suggesting that the company lay out clearly what the key elements of the plan are, the relative contribution of each, and the related R&D investment.

We intend to continue monitoring implementation of the company's environmental program and engage as needed.

**CASE STUDY**

Category: Thematic  
 Theme: Biodiversity – Plastics  
 Country: USA  
 Sector: Consumer Staples

In November 2022, members of the Global Stewardship Team engaged with the company's Sustainability and Global Impact counsel to discuss efforts in reducing plastics in packaging and biodiversity.

The company said a materiality assessment was underway for a new report that would address biodiversity issues we had raised in a meeting the year before.

We asked about progress made in plastics and packaging disclosure, advocating for quantitative disclosures of total packaging by weight, percent recyclable and percent post-consumer recycled content. The company plans to roll this out in 2023 and include information on biodegradable products.

We acknowledged these plans and recommended targets and segmented reporting where appropriate.

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.

## Land Use

Land degradation, or the decline of economic and biological productivity of land due to human treatment, costs the world \$6.3 trillion annually.<sup>25</sup>

In response, our Global Stewardship Team has been engaging with companies facing controversies relating to the impacts

of land use in their operations. These conversations address key issues such as deforestation, ecological impact of manufacturing and end products, and sustainable agriculture.

### CASE STUDY

Category: Thematic  
Theme: Biodiversity – Land Use  
Country: Singapore  
Sector: Consumer Staples

In February 2022, the Global Stewardship Team engaged with the company's chief sustainability officer and ESG team to discuss its biodiversity management and remediation plan after a deforestation incident at a group company.

The company had received criticism concerning palm oil plantation operations, and in 2021 it acknowledged that a group company had not done enough to compensate local residents for poor business practices that included razing part of one of the planet's richest biodiversity regions.

The company explained its social and environmental policy to conserve biodiversity and cultural value as well

as to protect High Conservation Value areas. It conducts biodiversity assessments internally and also utilizes external resources such as Roundtable on Sustainable Palm Oil Radar Alerts for Detecting Deforestation in their assessments.

The company explained its remediation response to the deforestation grievance and the implementation of a "No Deforestation" framework across its supply chain. The company has also begun providing training to increase education and communication with employees on its code of conduct. It has also taken steps to improve senior oversight of operations.

We will continue to monitor the status of the remediation and restoration plan related to the deforestation incident.

25. University of Cambridge Institute for Sustainability Leadership, 2020.

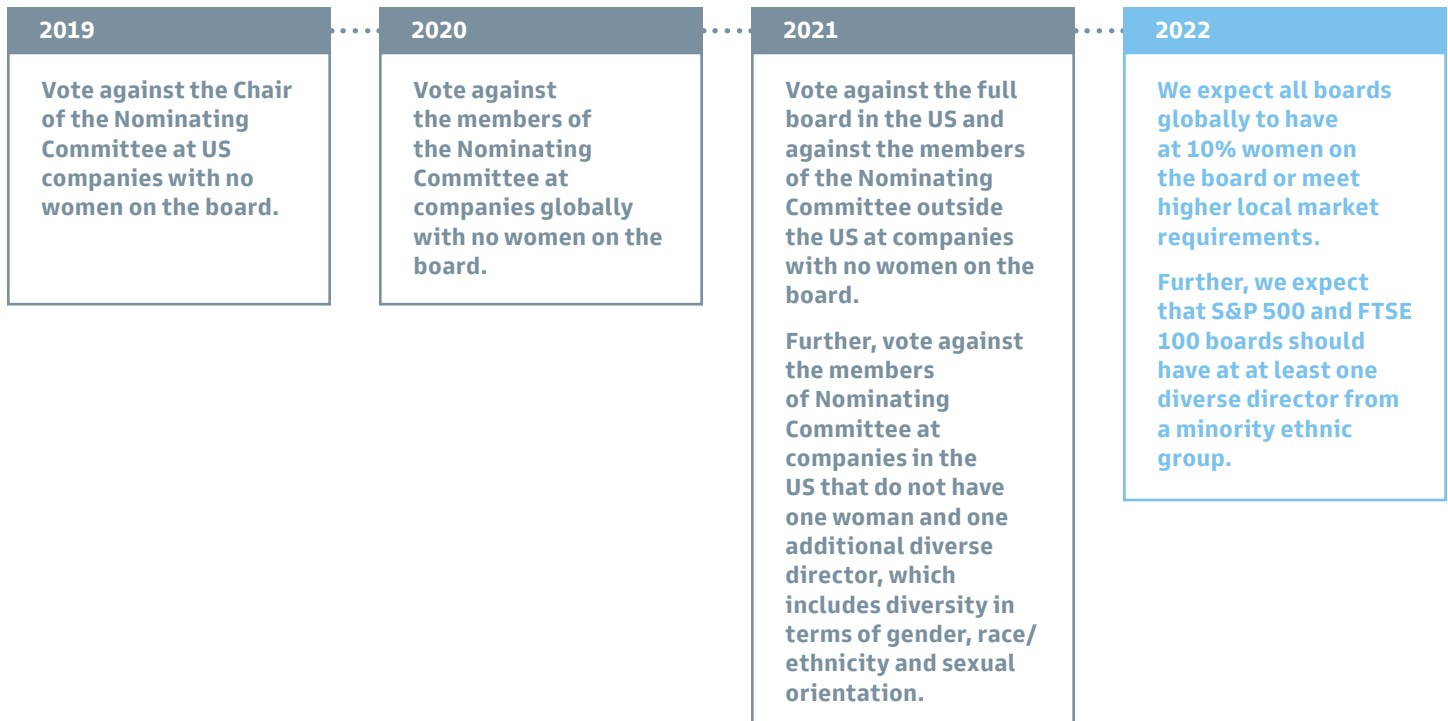
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# INCLUSIVE GROWTH

## Our Approach to Board Diversity

We believe diverse teams have the potential to outperform and we expect our portfolio companies to demonstrate diversity at the board level. Based on our belief that diversity is a business imperative, we have evolved the expectations of board diversity in our proxy voting policy over several years to promote board diversity at portfolio companies.

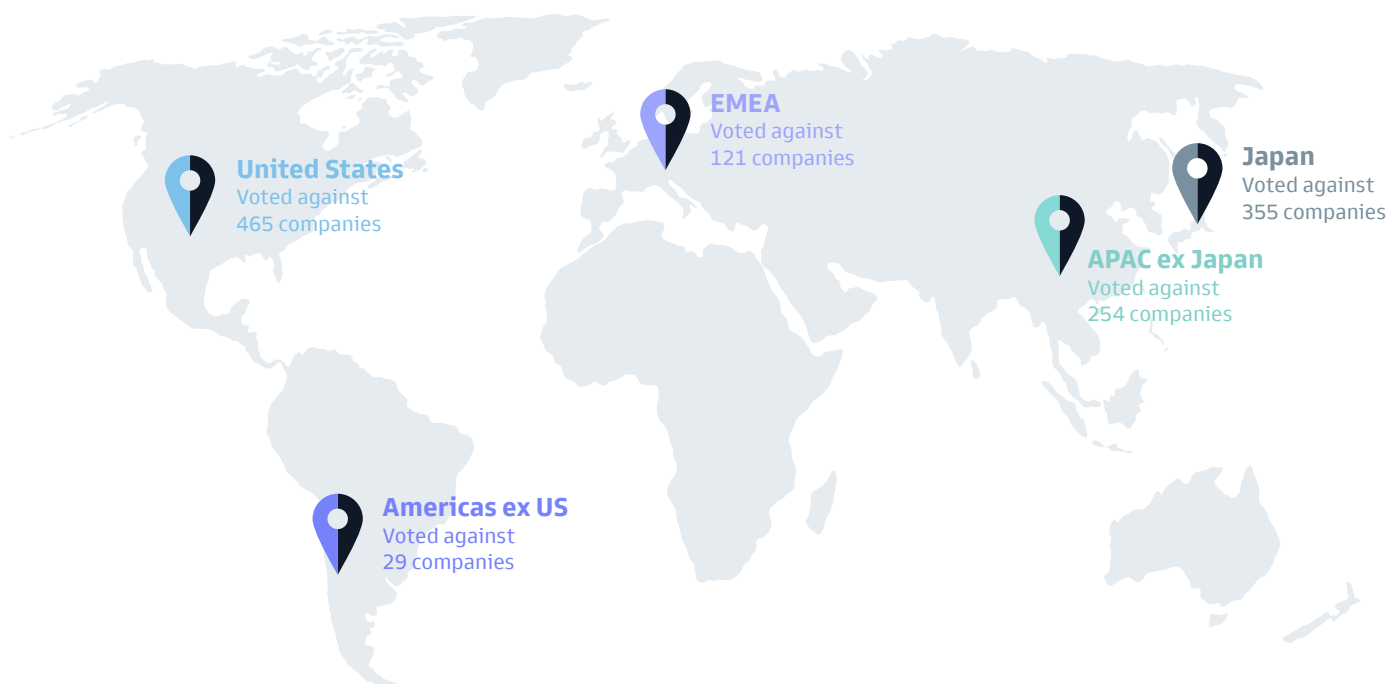
### Evolution of our Policies



## Our Voting in 2022

We voted against 1,224 companies in 2022 for lack of board diversity.

### Companies voted against for lack of board diversity by region



### Companies voted against for lack of board diversity by sector

Sector	# of Companies	Sector	# of Companies
Communication Services	62	Industrials	226
Consumer Discretionary	138	Information Technology	151
Consumer Staples	61	Materials	113
Energy	54	Other <sup>26</sup>	6
Financials	140	Real Estate	71
Health Care	169	Utilities	33

26. Primarily includes UCITS fund meetings.



## Progress in Promoting Board Diversity

We see our vote as a way to share our views, and we have seen progress in increasing levels of board diversity. Our historical voting records illustrate a positive trend of increasing board diversity globally and in various regions.

# 72%

of US listed companies

where we voted against directors due to no women on the board in 2019 have since added at least one woman director

# 42%

of companies globally

where we voted against directors due to no women on the board in 2020 have since added at least one woman director

# 40%

of APAC listed companies (excluding Japan)

where we voted against directors due to no women on the board in 2021 have since added at least one woman director

Source: Goldman Sachs Asset Management and FactSet, as of December 2022.



### Taking a Regional Approach

## US: ESCALATING OUR STEWARDSHIP EFFORTS ON BOARD DIVERSITY

During 2022, we identified [24 US companies](#) which we had voted against members of the board consistently over the past four years due to lack of board diversity.

We found that six of those companies had added a gender diverse board member since our last vote against the board at the annual meeting.

**A total of 18 of the 24 companies still lacked gender diversity at the board level, and we subsequently sent letters and emails requesting engagement with the Chairman of the board of each company.**

We engaged with four of the 18 companies about the importance of diverse perspectives on a board and throughout an organization.

### CASE STUDY

Category: Thematic  
Theme: Board Diversity  
Country: USA  
Sector: Energy

In November 2022, members of the Global Stewardship Team engaged with the company's Chairman and CFO to discuss the lack of gender diversity on the board.

We had voted against members of the board for four consecutive years because the company has had no women directors, including voting against the full board in 2021 and 2022. To escalate our concern, we mailed the Chairman

a letter signed by the Global Head of Stewardship and the CIO of AMD Public Markets, noting we would appreciate the opportunity to discuss the issue further.

During our engagement, we noted that the board of directors is made up of seven men with no new members added in the past five years, and we advocated for board refreshment and emphasized the importance of board diversity and diversity of thought.

The company contacted us in January 2023 to announce the election of two new women independent directors with diversified skill sets within the oil and gas industry.

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.



### Taking a Regional Approach

## UK: ENGAGING WITH UK COMPANIES ON BOARD ETHNIC DIVERSITY

The Parker Review is an independent review commissioned by the UK government to look into how to improve the ethnic and cultural diversity of UK boards to better reflect their employee base and the communities they serve.

The report sets out objectives and timelines to encourage greater diversity and provides practical tools to help business leaders address the issue.

The first main target set out in the review was for FTSE100 companies to have at least one diverse director from a minority ethnic group by the end of 2021. We engaged with eight companies in 2021 and four in 2022 that did not meet the Parker Review target to discuss their approach to board diversity and succession planning and to encourage them to improve the diversity of their boards.

In 2022, our proxy voting policy was to vote against the nominating committees of boards in the FTSE 100 that do not meet the Parker Review guidelines. As a result, **we voted against three companies that failed to meet these standards.**

We intend to continue our focus in this area. The next phase of Parker Review targets will apply to companies in the FTSE350, with the expectation that they have at least one diverse director from a minority ethnic group on their boards by the end of 2024.

### CASE STUDY

Category: Thematic

Theme: Board Diversity

Country: UK

Sector: Communication Services

Members of the Global Stewardship Team engaged with the company's Investor Relations team in July 2022 to discuss the lack of board diversity ahead of its 2022 annual meeting. The company is a member of the FTSE 100, so we expect the board to have at least one diverse director from a minority ethnic group under our 2022 proxy voting policy.

The company added three new directors in 2022, but none that self-identify as ethnic minorities. The company said it planned to add three more directors in 2023 as part of its normal succession plan, and we encouraged them to seek a diverse range of candidates, particularly given the international scale of the company.

While the company committed to increasing the ethnic diversity of the board, we voted against the current members of the Nominating Committee in line with our policy and intend to continue engaging with the company on this issue.

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.



## Taking a Regional Approach

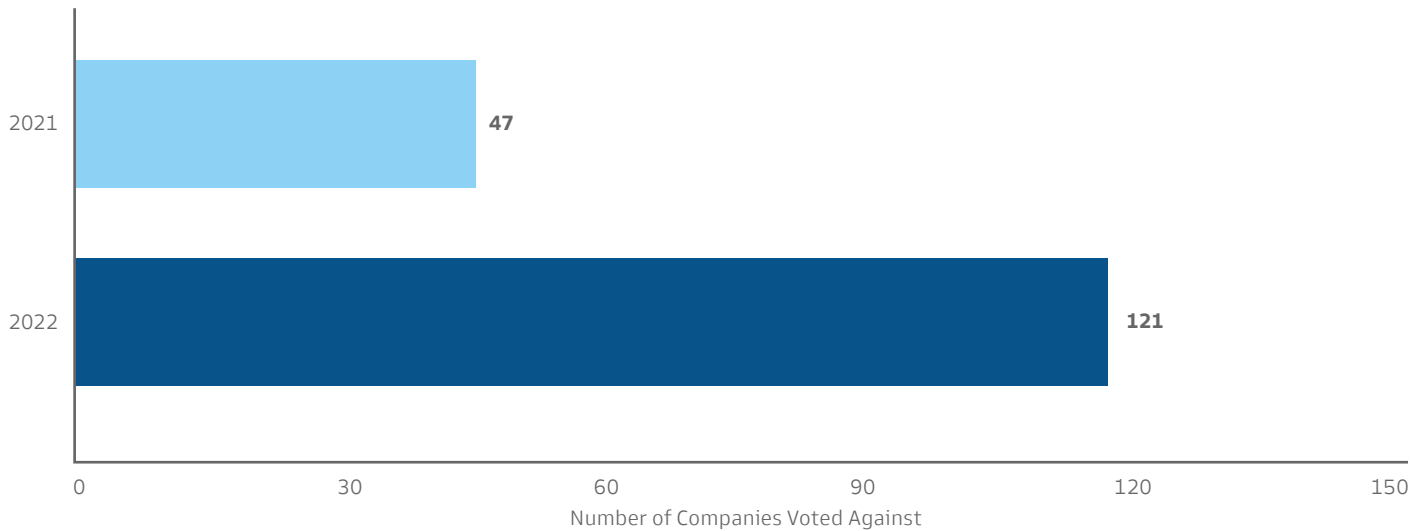
## EMEA: INCREASING OUR GENDER DIVERSITY EXPECTATIONS

We updated our policy in 2022 to reflect our expectation that all public company boards globally have at least 10% women directors or meet a higher local market standard.

This new policy allowed us to address boards of various sizes and increased our expectation for markets with higher local thresholds; for example, some EMEA markets set targets of 30% to 40% women director representation. France has a market requirement of 40% of each gender at board level; other markets with requirements include Italy, Spain, the Netherlands, Norway and Portugal.

Based on our policy, we voted against directors at **121 companies in EMEA in 2022, compared with 47 a year earlier.**

### Number of Companies Voted against in EMEA





### Taking a Regional Approach

## JAPAN: PROMOTING DIVERSITY THROUGHOUT THE WORKFORCE

Japan ranks 120th out of 156 countries for gender equality, far behind other G-7 nations. We aim to narrow the gender gap at Japanese companies through constructive engagement.<sup>27</sup>

Our approach includes:

- **Diversity Engagement Screening:** Using data points including the ratio of women in directorships, executive and management roles, along with gender mobility gap and child-care leave rates for men, we aim to capture the lowest performers in diversity. We seek to review the companies' status annually and engage to encourage material improvements.
- **Best Practice Presentation:** We have created a presentation outlining best practices in diversity initiatives from Japanese companies. We generally share this presentation with our portfolio companies in diversity engagements and it can act as a great source for companies to strengthen their diversity programs.

### CASE STUDY

Category: Thematic

Theme: Workforce Diversity

Country: Japan

Sector: Materials

In March 2022, the Global Stewardship Team engaged with the company's CEO and president to discuss board and workforce diversity. We informed the company that we had voted against top management at the 2021 annual meeting based on the lack of board diversity, and we advocated for women representation at board level.

The CEO appreciated our recommendation and recognized that this issue needed to be resolved. Following

engagement earlier in the year, the company added a woman director at its next annual meeting in 2022.

During the engagement, the CEO also made a strong commitment to promote diversity in the workplace, because he believes diversity is essential for the company's transformation from commodity chemical to specialty chemical provider.

He also discussed the company's various diversity initiatives they have implemented to help achieve their 2030 target to reach 15% women managers, up from the 2020 level of only 2.8%.

We will continue to engage with this company as it pursues its diversity initiatives.

27. World Economic Forum, Global Gender Gap Report, 2021.

For illustrative purposes only. Performance results vary depending on the client's investment goals, objectives, and constraints. There can be no assurance that the same or similar results to those presented above can or will be achieved.

# STRONG CORPORATE GOVERNANCE

We believe that sound corporate governance can create a framework within which a company can be managed in the interests of its shareholders. We seek to hold boards accountable for actions and results related to their governance responsibilities. When directors do not meet our expectations, we may seek to hold them accountable through proxy voting. Please refer to the [Proxy Voting](#) section of this report for further details.

Topic	Our Expectation
Independence	Boards demonstrate independent oversight
Diversity	Directors represent diverse skill sets and backgrounds
Director Commitments	Directors can devote sufficient time and are not overboarded
Tenure and Refreshment	Boards include a variety of tenures and strong succession planning
Attendance	Directors attend at least 75% of meetings

## Our Approach to Executive Compensation

Executive compensation plan structures are generally an important element of the corporate governance framework. We expect good compensation plans to have characteristics that can attract and retain key executives and align management's compensation with long-term shareholder value creation and shareholder's best interests.

We believe that compensation committees are best placed to oversee the executive compensation plan and we will generally be supportive of plans that broadly meet the characteristics we consider important.

During 2022, we voted on 4,557 management-sponsored "say on pay" proposals and voted against 16% of them.

Voting against "say on pay" is one way to express our views. In cases where we have persistently voted against compensation

and the board has not instituted sufficient changes, we may seek to escalate our view by voting against members of the Compensation Committee. For example, in the US if we are voting against "say on pay" for the second consecutive year and "say on pay" met with significant opposition the previous year, we will generally vote against incumbent members of the Compensation Committee. **We voted against ~533 directors at ~258 companies in the US for reasons related to executive compensation.**

## Proxy-Related Engagement

Proxy-related engagement is intended to help inform our proxy voting decisions.

It is primarily conducted by our Global Stewardship Team, in many cases alongside our Fundamental Equity investment teams, and gives us the opportunity to discuss the proposals on which we vote. For example, we may discuss the election

of directors, matters relating to executive compensation or shareholder proposals.

**During 2022, we conducted 177 proxy-related engagements.**

### CASE STUDY

Category: Proxy Related      Country: Spain  
Topic: Board Independence      Sector: Real Estate

Our Global Stewardship Team and members of our Fundamental Equity investment team engaged with two non-executive directors the company in February 2022 to discuss the company's board independence and recent issues arising between management and the board. In April, we met with another independent non-executive director to discuss our concerns further.

The company has a large shareholder that controls four board seats, including the chair, and has close ties with several other directors. We believe that this level of influence impairs the independence of the board and is not in shareholders' best interests.

We communicated our concerns to the company and at the annual shareholder meeting we voted against two directors we did not consider independent. We expect to continue to engage with the company on these issues.

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**CASE STUDY**

Category: Proxy Related  
 Topic: Shareholder Proposals  
 Country: Japan  
 Sector: Utilities

The Global Stewardship Team engaged with the company's Investor Relations team in June 2022 to discuss three shareholder proposals that were scheduled for a vote at the 2022 annual meeting.

The proposals called on the company to disclose a business plan aligned with the Paris Agreement, to evaluate the consistency between capital expenditure plans and reduction targets, and to disclose if and how executive compensation is linked to its transition strategy.

During the call, we primarily discussed the company's climate transition strategy, which is detailed and mainly focused on carbon capture technologies and carbon-free energies. We noted, however, that the strategy only pertains to the company's domestic business, even though 26% of its capacity is overseas.

We voted in favor all three shareholder proposals and intend to continue engaging with the company on these issues.

**CASE STUDY**

Category: Proxy Related  
 Topic: Compensation  
 Country: USA  
 Sector: Real Estate

In May 2022, the Global Stewardship Team engaged with the company's CFO and Finance team to discuss its executive compensation scheme ahead of the company's annual meeting.

The Compensation Committee had granted significant one-time retention awards to the Named Executive Officers, and we discussed the rationale for these awards. The company, like many in the sector, had been affected by the COVID-19 pandemic, and the executives' regular performance shares had not vested, or vested in small amounts, because of the poor share price performance.

We recognize the importance of maintaining and attracting talent through compensation programs. We were concerned, however, that the one-time awards were entirely time-based. We would have preferred for the committee to issue performance-based awards that set performance goals that must be reached before the awards vest. This creates greater alignment between management and shareholders.

We ultimately voted against the "say on pay" proposal, which received 80% opposition.

For more information on our proxy voting process, please see [Our Approach to Proxy Voting](#) on our website.

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## Our Approach to Global Norms Violations

The Global Stewardship Team has developed a process for evaluating companies that have been identified by third-party data providers as being in violation of Global Norms including the United Nations Global Compact and the Guidelines for Multinational Enterprises developed by the Organisation for Economic Co-operation and Development (OECD), as well as companies that, in our view, exhibit poor governance practices.

### Our Process Centers on Four Primary Steps

#### Step 1: Identify

We leverage multiple third party data providers to generate a list of potential violators of Global Norms.

#### Step 2: Review

Using the vendor generated list, we evaluate each of the issues raised at the companies, considering the external data providers' assessment as well as additional sources to create an assessment.

#### Step 3: Evaluate

Using the results of the review, we assign each company to one of three tiers:

- Tier 1: In our view, this company has an ongoing global norms violation with insufficient remediation
- Tier 2: The company may have had a global norms violation, but some remediation has taken place OR there is a serious allegation of wrongdoing where the situation is still developing
- Tier 3: The company is not currently considered a global norms violator

#### Step 4: Monitor

We review and re-tier the list on a semi-annual basis and seek to conduct ongoing monitoring to identify potential new issues.

Following the tiering process, the Global Stewardship Team seeks to take appropriate stewardship actions related to the companies, for example seeking to engage with companies or take voting action as appropriate. **In 2022 we engaged with 24 companies in relation to issues identified** through this assessment process.

**CASE STUDY**

Category: Thematic  
 Theme: Global Norms  
 Country: UK  
 Sector: Energy

In September 2022, our Global Stewardship Team and members of our Fundamental Equities team engaged with the company's CEO to discuss issues surrounding ongoing oil spills and the sabotage of pipelines.

We have been engaging with the company over the past several years to understand how they have been dealing with potential spills and attempted theft from pipelines.

Although the company has made significant progress in spill response and prevention, and is systemically reducing its footprint, which it has already shrunk by more than half, we will continue to monitor and engage with the company as their plans evolve.

**CASE STUDY**

Category: Thematic  
 Theme: Global Norms  
 Country: USA  
 Sector: Industrials

In October 2022, members of the Global Stewardship Team engaged with the company's CEO and CFO.

We first identified the company through our framework based on human rights concerns in their prison facilities. We engaged with the company in 2021 to learn more about what action it was taking on this issue and provide our feedback.

During our latest call, the company updated us on its most recent human rights report. Over the past year, the company conducted four facility-level human rights assessments, and we discussed their methodology, key findings and next steps from this process. We also discussed roadblocks to measuring the efficacy of training and development programs for the company's employees and inmates.

We recommended tracking attendees who re-enter training programs to better understand the success rates of previous programs. The company is now considering such metrics as they hire a full-time research analyst to understand program efficacy.

We will continue to monitor and engage with the company on this issue.

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**CASE STUDY**

Category: Thematic

Theme: Global Norms

Country: India

Sector: Materials

In February 2022, the Global Stewardship Team engaged with the company's CFO and members of the Investor Relations team to discuss the environmental remediation progress after a warehouse fire and leakage incident in South Africa that had occurred in July 2021.

The company was identified under our framework because of the chemical spill's significant impact on the environment and local residents as well as questions about risk governance. We engaged with the company on why unlicensed chemicals were stored in that location, how the company was managing remediation and governance and risk management mechanisms to prevent recurrence.

The company explained that it had permits for storing the chemicals and that a criminal investigation had not led to any charges against the company. They also said that most of the water and soil clean-up was now complete, and that local residents were being offered medical treatment, though few have been impacted.

The company initiated a risk assessment audit of all its facilities and warehouses and is conducting training for employees at all sites.

The main disagreement regarding this incident between the company and the government centers on whether the company had permits for storing chemicals in the warehouse. We will monitor for any update from the government's investigation.

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### Taking a Regional Approach

## ADDRESSING KEY GOVERNANCE ISSUES THROUGH PROXY VOTING IN JAPAN

To encourage portfolio companies in their governance development, we have a Japan-specific governance engagement program focused on a wide range of ongoing concerns.

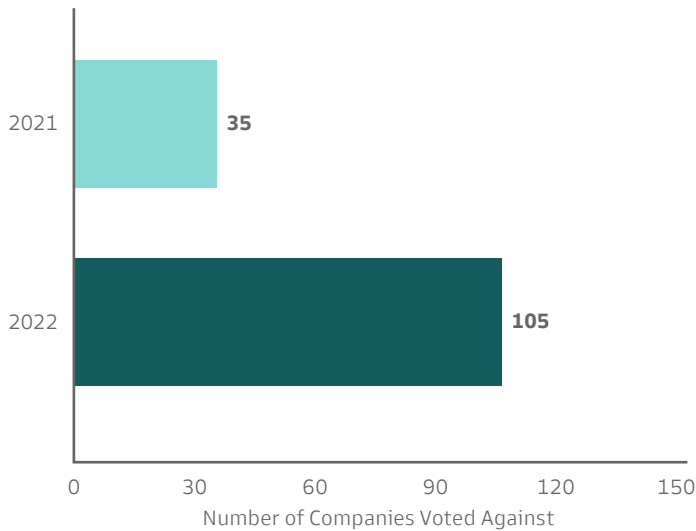
We integrate engagement with our proxy voting efforts and incorporate Japan-specific governance issues into our Proxy Voting Policy and implementation. We conduct in-house case-by-case analysis on companies' return on equity (ROE), dividend payout and cross-shareholdings to ensure that our decisions reflect each company's situation and are made in the best interests of shareholders.

We strengthened our criteria for cross-shareholdings in 2022, and as a result the number of companies we voted against based on excessive cross-shareholdings increased from 35 in 2021 to 105 in 2022.

Return on Equity	Dividend Payout	Cross Shareholdings
<p><b>Issue</b></p> <p>Structurally low ROE at many Japanese companies</p>	<p><b>Issue</b></p> <p>Some Japanese companies are reluctant to pay dividends and may retain excess net cash levels, even when the business is performing well</p>	<p><b>Issue</b></p> <p>Strategic shareholdings (i.e. cross-shareholdings) are typically shares a company holds in other companies for the sake of business relations. They can create conflicts of interest with transactions, and hinder minority shareholder rights</p>
<p><b>Our Voting Policy</b></p> <p>Vote against management if 5 year average ROE is below 5% without recovery. During COVID, we conducted case-by-case due diligence to ensure we do not vote against companies with low ROE purely due to the impact of COVID</p>	<p><b>Our Voting Policy</b></p> <p>Consider a vote against companies with payout ratios below 20%, after considering balance sheet and fundamental business strength</p>	<p><b>Our Voting Policy</b></p> <p>Vote against companies with excessive strategic shareholdings, after considering the companies' most recent disclosure materials</p>

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### Companies Voted against Due to Excessive Cross Shareholdings



We are encouraged by the progress we are seeing from many companies, including broad-based reductions in holdings. Some companies are also starting to disclose numerical reduction targets for their cross-shareholdings. For companies with excessive cross-shareholdings, we conduct individual due diligence to assess their holdings and any quantitative reduction targets, and we take these targets into consideration as we apply our voting policy.

#### CASE STUDY

Category: Thematic

Theme: Regional Governance Best Practices

Country: Japan

Sector: Financials

In May 2022, members of the Global Stewardship Team engaged with the bank's CEO to discuss their new strategy. We have been engaging with the current CEO for four years to discuss strategies to improve return on equity (ROE).

In April 2022, the bank announced March 2022 full-year earnings and an updated medium- to long-term management strategy that included a capital realignment and shareholder return policy. The company outlined several measures to enhance corporate value and ROE including closing an overseas branch to reduce required regulatory

capital, conducting share buybacks and implementing a stock-based compensation system linked to ROE for executives.

We are particularly encouraged to see the bank committing to zero cross-shareholdings and view this as proof that companies can pursue growth strategies without relying on cross-shareholding relationships.

The bank's trailing ROE was below 5% over the past 5 years (FY0 at 3.5%), which normally triggers a vote against the CEO. However, we are supportive of the CEO's revitalization plan, and believe it is in the best interest of shareholders to support the current CEO as the transition strategy moves forward. At the annual meeting, we voted in favor of the election of the CEO and will continue to monitor progress going forward.

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# PORTFOLIO-SPECIFIC CAMPAIGNS

In addition to regular engagement carried out by our investment teams and by our Global Stewardship Team, for certain portfolios we conduct additional engagement.

For these portfolios, members of the Global Stewardship Team work directly with portfolio managers to engage with companies on what we identified as material issues.

In 2022, the Global Stewardship Team partnered with these portfolio managers to engage with companies in our ESG-enhanced equity portfolios, working with the research analysts

to identify material issues for engagement on each portfolio holding, and then engaging with the companies in these portfolios to provide feedback and encourage improvements.

**We conducted 76 engagements in 2022 through these portfolio specific initiatives.**

## CASE STUDY

Category: Thematic  
Theme: Portfolio-Specific Campaigns  
Country: South Korea  
Sector: Consumer Staples

Our Global Stewardship Team and members of the Fundamental Equity investment team engaged in October 2022 with the company's Investor Relations team to discuss its governance, dividend policy and ESG practices and disclosures.

We voted against a director at the 2022 annual meeting based on the lack of board gender diversity. The company will consider diversity in its next director election at the 2024 annual meeting. We also discussed the company's low dividend payout and current excess cash and encouraged them to increase the dividend payout ratio. The company is now considering a dividend increase for 2023.

The company established an ESG committee in January 2022 that is responsible for managing its climate plan and goal-setting, as well as scope 3 disclosures for the first time. We recommended that the committee expand oversight to other ESG areas such as gender diversity and supply chain labor risk management.

## CASE STUDY

Category: Thematic  
Theme: Portfolio-Specific Campaigns  
Country: USA  
Sector: Consumer Staples

In December 2022, our Global Stewardship Team and members of our Fundamental Equity investment team engaged with the Investor Relations team at the company to discuss its approach to GHG emissions and human capital management.

We had supported a shareholder proposal on climate earlier in the year that called on the company to report on its GHG emissions targets. The measure passed with 70% support.

The company has since released an updated set of emissions reduction targets, which include reducing scope 1 and 2 emissions by 39% by 2030.

The company is one of the largest employers in the country, and we discussed how it is able to maintain an industry-leading retention rate and ensure that benefits, health and wellness programs, and training and development efforts meet the needs of a diverse workforce.

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## CASE STUDY

Category: Thematic

Theme: Portfolio-Specific Campaigns

Country: Spain

Sector: Consumer Discretionary

In May 2022, members of the Global Stewardship Team and of our Fundamental Equity investment team engaged with the company's chief information security officer and Investor Relations to discuss its approach to cyber security and climate.

We discussed the governance structure underpinning cyber security at the company, strategic and compliance priorities, and learnings from near breaches and training exercises.

We noted that while the company does have some public reporting, it has not been as clear as it could be on the multiple processes and controls in place or on the scale of investment made in this area.

We also discussed the company's climate-related reporting, encouraging the disclosure of material GHG emissions data. While it has some reporting and targets, we noted the need for more transparency in scope 3 disclosures, including upstream and downstream granularity splits. We also encouraged transparency on the company's new expanded plans, with clear milestones. We encouraged the company to consider using the SASB framework and disclosing full TCFD reporting, noting that scenario analysis is an important element the company is currently missing.

Starting in 2020, our Fixed Income Investment Teams partnered with our Global Stewardship Team to develop an engagement strategy focused on diversity and inclusion for some of our funds. In 2022, these teams continued to engage with corporate and financial issuers held by the relevant funds that have been identified as not meeting our expectations of gender diversity at board level.

This approach reflects our firm's focus on diversity and inclusion and signals the potential for other diversity-related challenges. We seek to use a combination of external data sources to assess the percentage of women on the board at individual issuers. The team will typically contact the board, company management, investor and human relations and/or other relevant contacts to engage.

## CASE STUDY

Category: Thematic

Theme: Portfolio-Specific Campaigns

Country: Singapore

Industry: Financials

In March 2022, our Fixed Income ESG Investment Team and our Global Stewardship Team engaged with members of the company's Investor Relations team and Secretariat's office to discuss board diversity.

We had previously met with the company in 2021, when we identified it as having no women on the board. The company

agreed that the points on diversity were substantive and committed to discuss a plan of action internally and update us when agreement was reached on substantive changes.

During this most recent meeting, the company shared updates on its recent board appointments, which had increased gender representation from zero to 20% women on the board. We acknowledged this progress and encouraged the company to continue focusing on this metric, broader board representation and senior management diversity.

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# PROVIDING FEEDBACK

One of our four engagement categories is providing feedback, which refers to engagement conducted usually at the request of issuers to provide feedback on their reporting or to explain our preferences regarding ESG frameworks such as SASB and TCFD.

During 2022, we conducted [208 providing feedback discussions](#).

## CASE STUDY

Category: [Providing Feedback](#)  
Topic: [Corporate Governance](#)  
Country: [Japan](#)  
Industry: [Information Technology](#)

In November 2022, members of the Global Stewardship and Fundamental Equity investment teams engaged with a director of the company to discuss key governance topics and improvement in disclosure.

While the company has improved its remuneration policy this year to align with long-term company value, we encouraged more detailed disclosure on the key performance indicators and targets to increase transparency.

We also recommended areas of improvement regarding board composition such as increasing independence and the diversity of gender, skills and experiences. The company agreed that these are important to enhance board effectiveness.

## CASE STUDY

Category: [Providing Feedback](#)  
Topic: [Remuneration](#)  
Country: [The Netherlands](#)  
Industry: [Financial Services](#)

Members of the Global Stewardship team engaged with the chair of the Remuneration Committee Chair and members of the Investor Relations team at the company in September 2022 to give feedback as it revises its remuneration policy.

We have discussed remuneration with the company on numerous occasions, consistently explaining our belief

that compensation should be clearly aligned to long-term shareholder interests and promote the attraction and retention of key executives. In our view, that transparency is critical to enable us to evaluate the plan against these criteria.

We encouraged the company to provide clarity on performance measures, weightings and outcomes in the remuneration policy and to demonstrate clear long-term linkage to shareholder value.

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# HOW OUR INVESTMENT TEAMS ENGAGE: INVESTMENT RESEARCH AND MONITORING

## Fundamental Equity

Our Fundamental Equity investment teams incorporate engagement with management into their research process, and this can inform investment selection.

Interaction with management teams can give our investment teams insights into management quality, business model, financial performance and strategy and future business prospects. During these meetings our investment team members typically discuss a range of issues, seeking a better understanding of the business, including strategy, financial and non-financial performance. Some of these meetings can focus on ESG practices, helping us develop a deeper understanding of a company's ESG performance.

Our investment professionals draw insights from thousands of company management meetings each year. These meetings provide a forum to evaluate a company's commitment to shareholders and to consider how a company compares with its industry and regional peers; they also open up the opportunity to encourage positive corporate change.<sup>28</sup>



Engagement with our portfolio companies is an important part of our fundamental investment process. The scale of our platform helps us access senior management, and by combining our research analysts' deep sector knowledge with the expertise of the Global Stewardship Team, we seek to use engagement to improve our investment decision-making and help create value for our clients.”

**Alexis Deladerriere**, Partner, Head of International Developed Markets Equities, Fundamental Equity

28. Engagements with management teams may include discussions on ESG matters along with other topics, whereas in other cases we may conduct meetings focused specifically on ESG topics.

## CASE STUDY

Category: Investment Research and Monitoring

Topic: Environmental Health and Safety

Country: South Korea

Industry: Materials

Our Fundamental Equity team has been engaging with the company for several years following an employee fatality incident in 2020, after which we exited the security for failure to remediate the causes of the incident.

Since then, the company has significantly improved its safety programs, and we have engaged to follow its progress, meeting with the company four times in 2022 to confirm its intentions and commitment to progress.

We reinitiated a position in the company following its remediation efforts, which included expanding environmental safety initiatives through internal environmental safety and process technology experts as well as external agencies. The company completed an emergency diagnosis on high-risk processes and equipment for its business sites around the world and identified cases for improvement. It added the position of chief of safety and environment officer and gave the role autonomous and final responsibility and authority in the field of environment and safety. Finally, it appointed an Environment, Health, & Safety manager for each business site to ensure consistent policies and strengthen field response competences and actions.

## CASE STUDY

Category: Investment Research and Monitoring

Topic: Labor Relations

Country: USA

Sector: Industrials

In December 2022, our Fundamental Equity investment team engaged with the company to discuss how it was managing union demands considering a potential strike over wages and sick days.

Our investment teams also met with the company's peers on this issue, using these engagements to gain insights into

how companies were managing union relationships and what steps they were taking to improve the situation.

The company highlighted that it had launched a stock purchase program for train and engine personnel that had greater participation rates than management had anticipated. This could potentially increase employee engagement and goodwill, both important factors in running an effective rail network.

These engagements help inform our investment process and industry understanding as we look to assess management quality and key risks and opportunities.

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## Fixed Income

Our corporate credit teams engage regularly with the companies they cover on topics ranging from corporate strategy, leverage and balance sheet management to ESG performance.

These discussions can provide insights into the sustainability of future cash flows and the resulting ability of the issuer to meet its interest and debt obligations. The ESG focus of these discussions is driven by the materiality of such factors for the sector; for example, the environmental performance of energy companies is a priority. Governance assessments may include sector-related issues such as the strength of conduct and culture risk controls for banks, but governance concerns may also arise in the form of poor merger-and-acquisition decisions or questionable accounting practices that may have an immediate impact on the creditworthiness of a corporate issuer.

Direct engagement can provide our investment teams with additional granularity that can strengthen or diminish the conviction underlying their investment recommendations. They may also use the process to encourage companies to improve performance on ESG issues that can affect credit risk. The regular and open communication with issuers in our fixed income process also enables analysis and discussion of sector trends, which is critical to our efforts to be positioned ahead of credit risks materializing.



We believe the size of bond markets gives fixed income investors a meaningful opportunity to seek better ESG outcomes. Our engagement activities serve a number of important goals. Given the recurring nature of debt issuance, we seek to communicate regularly with management teams and this ongoing dialogue provides us with an opportunity to encourage issuers to strengthen their ESG performance on factors that may present as credit risks. We also seek to influence positive outcomes through these engagements. As a component of our ESG integration, engagements focused on material ESG issues may help to strengthen the investment team's convictions.”

**Edith Siermann**, Head of Responsible Investment, Fixed Income

### CASE STUDY

Category: Investment Research and Monitoring

Topic: Climate and Water

Country: Spain

Sector: Utilities

The Fixed Income Green, Social and Impact (GSI) analyst team engaged in December 2022 with the issuer's Investor Relations team to discuss transition plans and eligible green assets.

The issuer was one of the first utilities to issue green bonds. This engagement was a continuation of discussions with this issuer on its green bond issuance that began in 2017.

In 2022, the engagement was focused on a plan for sustainable water use. The issuer plans a 50% cut in water consumption by 2030 driven by the decommissioning of its water-intensive nuclear power plants. The Fixed Income GSI team also discussed the issuer's use of stress testing analysis as part of its climate adaptation plans.

### CASE STUDY

Category: Investment Research and Monitoring

Topic: Climate

Country: Canada

Sector: Construction

In December 2022, our Fixed Income High Yield credit research analysts engaged with the issuer's Investor Relations team to discuss its emissions-reduction targets.

The issuer currently has lower GHG emissions than other homebuilders in the region, so the Fixed Income team discussed the setting of future targets and the strategy to achieve them.

The issuer said it plans to publish a sustainability report in 2023 that will include further transparency on carbon, energy, waste, social and governance factors. The Fixed Income team said it expects to see best practice on other ESG disclosures, including product affordability.

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## Sovereign, Supranational, Municipal and Agency engagements

There are fewer direct channels for engagement with sovereign, supranational, agency and municipal issuers compared with corporate issuers, but we seek to meet with the policymakers responsible for monetary and fiscal decisions, including those in treasury departments, government agencies and debt management offices.

We also seek to express our views to supranational entities such as the International Monetary Fund, World Bank and OECD. We are committed to engaging with sovereigns on environmental policies. We aim to engage on the enhancement of climate-related metrics and disclosures and information-sharing on industry best practices.

Our sovereign engagement can also serve to evaluate opportunities to allocate capital to ESG investments. Government roadshows organized by debt management offices to launch green, social and sustainability bond issuances are a useful setting for dialogue on how a country can achieve sustainable growth.

### CASE STUDY

Category: Investment Research and Monitoring  
Topic: Climate  
Region: Europe  
Organization type: Supranational Organizations

In March 2022, our Fixed Income Macro Rates and Fixed Income ESG investment team engaged with the organization's treasurer to discuss its plans for financing climate action and sustainability.

The issuer intends to channel most of its investments over the next three years toward sustainability and climate action, including allocations to sustainable energy, natural resources and sustainable cities. The Fixed Income team welcomed this plan, but encouraged the issuer to begin disclosing annual metrics on progress.

The Fixed Income team also encouraged the continued use-of-proceeds format issuance and discussed the issuer's potential role in social projects.

### CASE STUDY

Category: Investment Research and Monitoring  
Topic: Climate  
Region: Europe  
Organization type: Agency

In March 2022, our Fixed Income Macro Rates and Fixed Income ESG investment team engaged with the Treasurer and Investor Relations team of an agency to discuss climate risks and guidelines for high-impact sectors.

The Fixed Income team welcomed the high-impact sector guidelines that were rolled out in 2021 across shipping, automotive, steel, power generation, buildings and aviation, and encouraged the issuer to expand this guidance to other sectors including oil and gas.

Discussions also included details on how the issuer plans to keep its guidance up to date and the influence of the EU taxonomy and industry best practices.

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### CASE STUDY

Category: Investment Research and Monitoring

Topic: Climate and Green Bonds

Region: Europe

Organization type: Sovereign Issuer

The Fixed Income GSI team has been engaging with the issuer on green bonds since its inaugural issuance in 2019.

In June 2022, the Fixed Income GSI investment team discussed this sovereign issuer's transition plans and green bond offering.

The 2022 engagement focused on EU taxonomy alignment, especially the "do no significant harm" assessment for each eligible project.

### CASE STUDY

Category: Investment Research and Monitoring

Topic: Social Inclusion

Region: North America

Organization type: Government Sponsored Entity

In December 2022, our Fixed Income Securitized Debt and Fixed Income ESG investment team engaged with a Government Sponsored Entity's President and Vice President to discuss racial inclusion in the housing market.

The discussion recognized the challenges faced with disclosure around data and focused on some of the data and initiatives that aim to promote access and equity to US homeownership.

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# LOOKING AHEAD

We hope this report provides a greater understanding of how our Global Stewardship Team works and partners with our public markets investment teams on key proxy voting, engagement, and industry leadership initiatives to promote best practices in corporate governance and sustainability on behalf of our investing clients.

We are continuing to focus our stewardship activities in 2023 on material sustainability topics designed to aid our investment process and seek to drive value for our clients. GHG emissions reduction targets and the climate transition are important elements of our stewardship approach. Building on our work around plastics, packaging and waste and land use, we are increasing our engagement efforts on issues related to deforestation and responsible land use.

Inclusive growth remains a key pillar of our stewardship program. In 2023, we expect to continue our focus on diversity and inclusion, which we strengthened in 2022 by increasing the gender and ethnic diversity expectations outlined in our proxy voting policy.

With 30% of our engagements in 2022 conducted alongside our investment teams, our Global Stewardship Team has been able to leverage their expertise and depth of knowledge to provide portfolio companies with specific feedback on material issues. With the integration of NN Investment Partners, we expect this collaboration to continue to grow as we foster collaboration across the full scale of our asset management platform.

We look forward to continuing our work to advocate for best practices in support of sustainable, long-term value creation that helps our clients meet their investing needs.

# APPENDIX A

## Engagement Data for CY2022

The below only includes engagements which included discussion of E, S or G issues. Our investment teams may conduct additional engagements that do not cover these topics; these engagements are not included.

Region	Teams				
	Global Stewardship	Fixed Income	Fundamental Equity	Multiple Teams	Total Engagements
Americas	204	329	137	98	768
APAC	239	72	353	99	763
EMEA	90	378	185	35	688
<b>Total</b>	<b>533</b>	<b>779</b>	<b>675</b>	<b>232</b>	<b>2,219</b>

Topic	Engagements	
<b>Environmental</b>	Greenhouse Gas Emissions	861
	Emissions reduction targets and / or execution plans	513
	Green Product / Business Opportunities	323
	Energy Management	272
	Pollution (Air Quality, Hazardous Materials, Waste & Packaging)	256
	Water & Wastewater	244
	Ecological Impact & Land Use	141
	Raw Material Sourcing	79
	Physical Climate Risks	37
	Product Environmental Contribution	17
<b>Social</b>	Human Capital & Workforce Management	478
	Employee Diversity & Inclusion	463
	Health & Safety	238
	Supply Chain Management & Materials Sourcing	185
	Cyber Security & Data Privacy	179

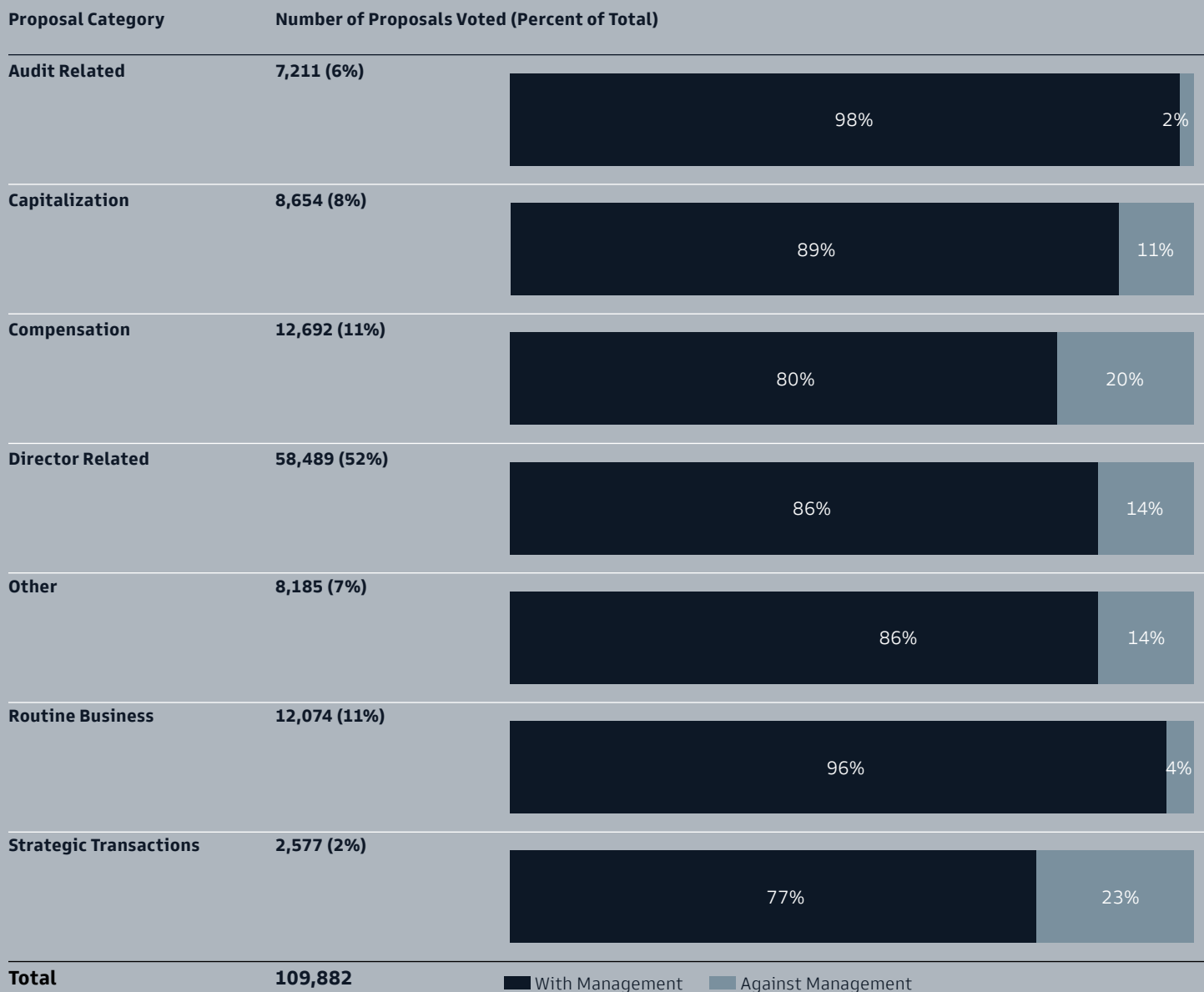


<b>Topic</b>	<b>Engagements</b>
Human Rights & Labor Rights	156
Product Positive Impact	138
Product Quality & Safety	128
Community Development and Relations	40
<b>Governance</b>	
Compensation	529
Board Composition	271
Board Structure	270
Corporate Behavior	238
Board Diversity	185
Proxy-Related	114
Board and Management Quality	106
Disclosure	104
Capital Allocation	98
Board Independence	96
Strategic Shareholdings	60
Group Governance	46
Shareholder Rights	42
Shareholder Returns	37
Controversies	36
Other	45

# APPENDIX B

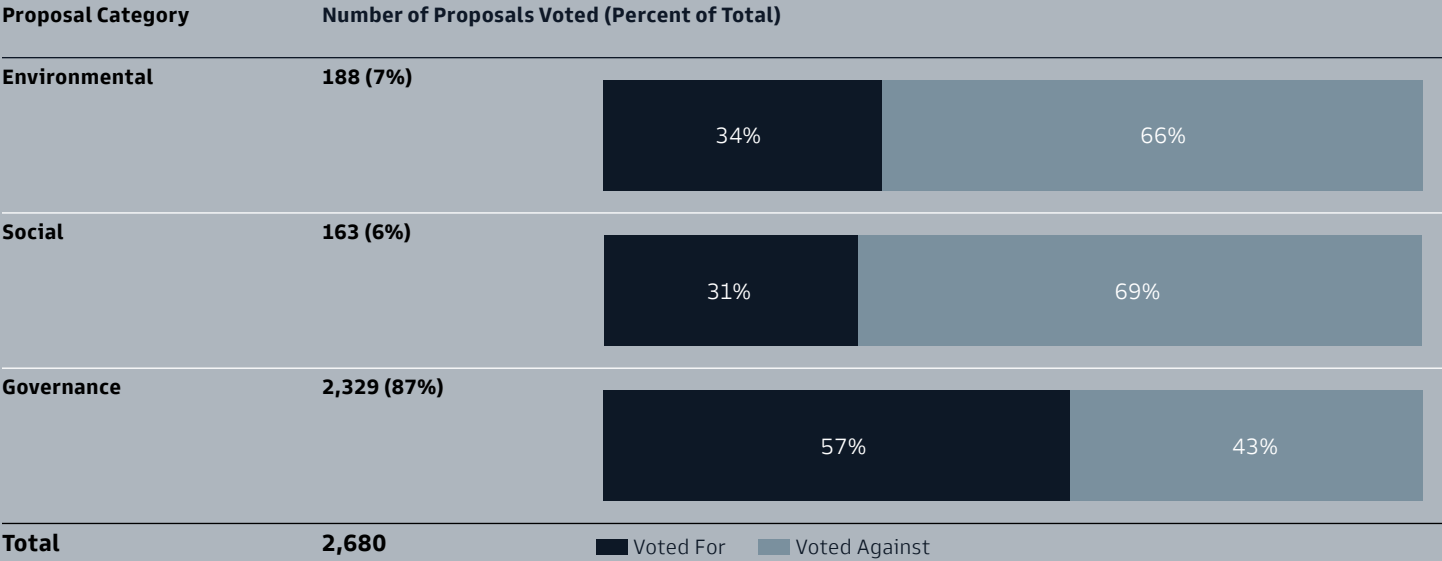
## Proxy Voting Data for CY2022

### GLOBAL VOTING STATISTICS BY PROPOSAL CATEGORY: MANAGEMENT PROPOSALS



Percentages may not sum to 100% due to rounding.

**GLOBAL VOTING STATISTICS BY PROPOSAL CATEGORY: SHAREHOLDER PROPOSALS**



Percentages may not sum to 100% due to rounding.

## Glossary

Engagements conducted: number of engagement meetings

Issuers engaged: number of different companies / bond issuers we have had meetings with

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