

(A) Municipal Issuers – *not answered*

(B) Investors in Municipal Securities – *Please note, answers in Section B represent the responses of the Goldman Sachs Asset Management Municipal Fixed Income team. In addition, the responses to all questions included in the RFI are not meant to define internal processes or speak to approaches on specific accounts or funds; but rather to discuss the industry broadly and offer high level suggestions***

- (1) Do you consider ESG-related information material to your investment decisions? If so, in what way? Is ESG-related information important to your evaluation of a municipal issuer's creditworthiness? If so, what ESG-related information do you consider most relevant to a municipal issuer's creditworthiness and why?**

ESG-related information is a broad and very complex subject. At Goldman Sachs Asset Management, our approach to evaluating ESG-related risks is similar to the process we employ when analyzing other forms of municipal credit risk. For client mandates that specify ESG guidelines, ESG-related information is critical. For non-ESG specific mandates, we view ESG factors on a case by case basis and from a risk management perspective. For example, for project finance or single-site risk assets, Goldman Sachs Asset Management will consider certain relevant environmental aspects that impact credit worthiness. Depending upon the sector and risk profile, we could be interested in the following:

- Property and interruption insurance coverage
- Environmental remediation studies
- Historic experience in relevant environmental risks (ex. hurricane/fire impacts for relevant areas)

The above factors can be significant when assessing performance risk as well as recovery in liquidation/bankruptcy scenarios. Other factors that may play a bigger role in the investment decision making process in the future include:

- Carbon (or other) emissions and the cost to municipalities of shifting to a low-carbon future
- Health (and relative wealth) of the local constituents who support surrounding economies
- Law enforcement, misconduct cases/settlements or protests around racial equality
- Cyber security – policies and protection
- Pension and retiree healthcare policies and liabilities
- Opioid or other substance addictions in communities
- Online gambling / Predatory Lending

These topics/risks are important to ESG investors and have the potential to divert resources and lead to long term reputational harm for municipalities.

Lastly, Goldman Sachs Asset Management views governance as an important component of a municipality's risk profile. How well a municipality's management team performs from an operational and budgetary perspective will impact Goldman Sachs Asset Management's assessment of an issuer's creditworthiness. Stability and longevity of management teams and boards, where relevant, is part of our typical assessment. Further, it is important to understand controlling parties or decision-makers' potential entanglements and/or conflicts of interest.

- (2) Do you generally have access to all the ESG-related information you need to make an informed investment decision? If so, can you identify the source(s) of the information you use (e.g., municipal issuer disclosures on the EMMA® website, other municipal issuer communications, time-of-trade disclosures, third-party data vendors or proprietary analyses)? If not, please identify the gaps in information and market transparency.**

The availability of ESG-related information varies greatly by issuer and even by sector. Standard deal documents like a preliminary official statement (POS) and related issuer information tends to provide some, but often incomplete, information. The Goldman Sachs Asset Management Muni team has spent significant time and resources to augment the information used to both make an informed investment decision, as well as report on that decision to our clients. Goldman Sachs Asset Management Muni uses a combination of proprietary systems, publically available information, and third-party data sets in an attempt to fill the gaps left by municipal issuer communications. Though third-party data sets are helpful, they are often simply estimates, and do not necessarily reflect the actual data collected by the individual municipalities.

In our opinion, the biggest challenges to-date have been quantification of risk (whether environmental or social) as well as standardization of the information given. While some issuers have the resources to report on these risks, reporting is inconsistent between issuers. In addition, smaller issuers often times lack the same capabilities, leaving investors with less information to evaluate. This leads to challenges, especially when trying to make relative comparisons amongst investment opportunities.

- (3) Does your expectation as to the availability and sufficiency of ESG-related information change depending on whether the purchase of municipal securities is made in the primary market or the secondary market? If so, how?**

It is our expectation that any and all information made available at the time of initial offering remain available for public deals (private placements would be separate matter). We utilize the same rigorous analysis when transacting in the primary or secondary markets.

- (4) In light of the potential availability of ESG-related information from other sources, how can municipal issuers best present and disseminate their ESG-related information to investors? What topic areas do you believe are most relevant for municipal issuers to include when providing ESG-Related Disclosures? In your view, is it sufficient for ESG-Related Disclosures to just describe material ESG-related risk factors? Is there a benefit to municipal issuers further describing the initiatives and other projects they are pursuing to address such risks?**

If an issuer has, and is willing to share, ESG-related information, a standardized approach to collecting and disseminating this information would facilitate an investor's decision making process. Ideally, this information would be made available in primary issuance documents, or via a separate standard form that could be easily accessed by all interested parties on EMMA (or elsewhere). Material risk factors are the most important, and should fall under a unified taxonomy, so that issuers and investors can view the risks consistently across time/entities.

Further, municipal issuers should have the opportunity to describe initiatives and projects (diversity and inclusion policies, renewable energy targets, social services, programming etc.) underway that address and mitigate these risks.

- (5) Certain market participants have expressed concerns that, while analysts and investors have expressed their desire for more standardized ESG-Related Disclosures, there is no consensus on which data and metrics are important or essential. Do you believe such disclosures should be standardized? Do you believe there is a consensus on which data and metrics are important or essential? If so, can you provide insight as to what consensus you believe does or could exist? If not, what barriers do you believe exist in reaching a consensus?**

Risk disclosures should be standardized wherever possible, but metrics and data are expected to vary by sector/issuer. Considerations could include both history of severe climate events (and classification of resources spent to mitigate) as well as estimated emissions on the environmental side. Potential social linked data could include demographics or relevant data points on the constituents. For enterprise entities, consistent reporting on management representation and initiatives (i.e. diversity of leadership positions, hiring practices etc.) would allow ESG investors to see a more complete picture of the underlying entity and its relationship with the local community.

- (6) When purchasing municipal securities for ESG-Designated Funds, what ESG-related information is most useful for the investment decision? How do fund managers screen securities to ensure that they meet a fund's criteria? Once purchased, what information is most relevant in assessing that a security continues to meet the ESG criteria established for an ESG-Designated Fund?**

Each fund, including an ESG-Designated Fund, will have a stated investment philosophy and objective driving investment decisions. The ESG-related risk factors mentioned in prior questions, along with ongoing reporting data for labeled securities (mentioned in # 7) will allow portfolio managers to make educated investment decisions, as well as report on them, pursuant to proprietary philosophies.

- (7) When purchasing ESG-Labeled Bonds, do you evaluate municipal securities with an independent certification differently from bonds that do not have such a certification? If so, how? If not, why not? In your view, what are the benefits to an investor of purchasing a bond with an independent certification?**

When bonds are ESG-Labeled (Green, Social, Sustainability) by the issuers without an independent certification, there tends to be less confidence that industry standards are being met. While an issuer may indeed use bond proceeds to invest in environmentally and/or socially focused projects, there is an additional perceived level of safety and rigor that comes with the certification process. A third party verification provides an additional layer of reassurance. Specifically use of proceeds are confirmed and future accountability is established whereby a project is mapped back to its original targets. Ongoing reporting requirements and independent authorization help add confidence to the investment process. Understandably, there are costs associated with these types of certifications and so it may not be economically feasible for all issuers to pursue additional verification. Issuers who choose to label securities without certification should be prepared to be held accountable, and report on, the bonds adherence to the industry standards (ICMA principles) that clearly lay out expectations for these types of securities.

(C) Dealers - *Please note, answers in section C represent the responses of the Goldman Sachs Investment Banking, PSI Syndicate team*****

- (1) Does the underwriting of ESG-Labeled Bonds raise any novel compliance issues for firms, such as challenges regarding fair dealing, due diligence, pricing or other related legal obligations? How is due diligence generally conducted regarding municipal issuers' ESG-Related Disclosures?**

Goldman Sachs has existing policies and procedures in place that serve to guide the underwriting and diligence process for all transactions that are underwritten by the firm. These policies and procedures are reviewed regularly by internal and external counsel, and they are designed to ensure compliance with all relevant regulations. These policies and procedures do not include additional steps and/or considerations related specifically to ESG-Labeled Bonds and/or municipal issuers' ESG-Related Disclosures.

- (2) Do primary offerings that prioritize certain ESG investors raise any novel compliance issues for firms? What criteria are used to define an ESG Investor for purposes of such priority provisions? How might investors be assessed to ensure they meet the applicable criteria?**

It is common practice for issuers (across markets and also within the municipal bond market) to structure the priority of orders in any manner that they see fit in order to meet their goals and objectives for an offering. To the extent an issuer informs the underwriting team that it would prefer to designate priority to ESG investors during a primary offering, the issuer would be responsible for outlining the process for which they would like investors to be assessed in order to ensure they meet the applicable criteria, and the underwriting team would be responsible for adhering to that direction when building a book and allocating orders.

- (3) Does the purchase or sale of ESG-Labeled Bonds in the secondary market raise any novel compliance issues for firms, such as challenges regarding fair dealing, pricing, suitability, best execution, time of trade disclosures or other related legal obligations? Does this answer depend on whether the customer is a retail customer, institutional customer or Sophisticated Municipal Market Professional?**

Goldman Sachs has existing policies and procedures in place that serve to guide participation in secondary markets. These policies and procedures are reviewed regularly by internal and external counsel, and they are designed to ensure compliance will all relevant regulations. These policies and procedures do not include additional steps and/or considerations related specifically to the purchase or sale of ESG-Labeled Bonds.

(E) All Municipal Market Participants - *Please note, answers in section E represent the responses of the Goldman Sachs Asset Management Municipal Fixed Income team*****

The MSRB seeks input from all municipal market participants, including input on the following questions.

(1) Are there any ESG-related factors that could pose a systemic risk to the municipal securities market? If so, how might the MSRB approach such systemic risks from a regulatory perspective? Are there non-regulatory approaches the MSRB could take that would advance issuer protection, investor protection, and the overall fairness and efficiency of the market?

Most of the material ESG-related risks to municipal securities were discussed in the investor section (Section B). Encouraging disclosure of these risks provides better transparency to the market and its participants.

(2) There are a number of organizations establishing voluntary standards for the issuance of ESG-Labeled Bonds, such as the ICMA and CBI. Does the availability of these voluntary, market-based standards provide adequate guidance for issuers and transparency for investors in the municipal securities market? If not, what additional guidance or transparency do you believe are warranted with respect to ESG-Labeled Bonds?

The ICMA/CBI standards have been developed and improved over time, and are incredibly thorough. These standards have been widely accepted by the market and seem to be comprehensive enough to provide investors with adequate information / guidance needed when making decisions.

(3) There are a number of industry-led initiatives underway intended to improve the quality of ESG-related information available in the municipal securities market. Does the availability of these voluntary, market-based initiatives enhance the ability of investors and other market participants to make informed decisions in the municipal securities market?

ESG initiatives are gaining ground in the Muni market as client interest in ESG has increased significantly and investors seek additional information necessary to create solutions and facilitate thoughtful investment decisions. The Municipal Issuer Racial Equity & Inclusion Engagement Framework led by several asset managers (including Goldman Sachs) and Just Capital is one example that was created in an effort to increase disclosure, and encourage issuers to continue to improve on various social factors.

(4) There are numerous vendors providing ESG data for the municipal securities market. Does unequal access to ESG data result in disparate impacts to investors and other market participants? Does competing ESG data create investor confusion? How could the MSRB use the EMMA website to reduce information asymmetry or investor confusion?

ESG data providers have evolved and developed various information to be disseminated to investors, but ultimately it is up to these individual investors or asset managers to access and interpret the underlying data. Ideally, all material information will be disclosed in formalized issuer-provided documents, so that investors without access to 3rd party data sets will not be penalized or disadvantaged. For those who do utilize the data sets, it can be a differentiator in providing clients with context and facilitating qualitative discussions around personal interests and values alignment.

(5) Does the availability of ESG-related information (or lack thereof) in other financial markets directly or indirectly influence the functioning of the municipal market? If so, how? For example, when evaluating competing investment opportunities, do taxable ESG investors expect the same timeliness and quality of ESG-related information for a municipal issuer as for a corporate issuer? And how might the differing expectations of different classes of investors (e.g., foreign versus domestic; retail versus institutional; or tax-exempt versus taxable) regarding ESG-related information affect pricing, underwriting, trading, and other market activities?

Foreign investors sometimes have a higher standard when it comes to ESG disclosures, taxonomy and reporting versus onshore investors. As the domestic market evolves, and consistency and standardization improve, this disparity between expectations should dissipate.

(6) The MSRB recently incorporated an ESG indicator from an independent data vendor, IHS Markit, into the New Issue Calendar shown on the EMMA website. This ESG indicator denotes when an issuer has self-labeled a bond issue as green, social, or sustainable, or if the issuer includes an independent ESG certification as part of the offering document. Does making this ESG indicator available on the EMMA website enhance market transparency regarding ESG-Labeled Bonds? Specifically, is it valuable to investors, municipal issuers or other market participants?

Integrating ESG indicators into the EMMA domain is extremely helpful to market participants as previously hard to find information is now made more easily accessible and identifiable. The designation (self-labeled, 2nd party opinion, third party verification, etc.) is also a great uplift.

(7) What improvements could the MSRB make to the EMMA website regarding ESG-Related Disclosures, ESG-Labeled Bonds and other ESG-related information? Which improvements to the EMMA website would most enhance access for investors and other market participants to ESG-related information? Which improvements to the EMMA website would most enhance the fairness and efficiency of the municipal market?

Create a separate ESG tab/portal where all ESG-related information/disclosure can be captured, organized and made easily accessible to the public – for both issuers and investors.

(8) Is there any additional information that you would like to share with the MSRB regarding any other ESG-related activities or trends in the municipal securities market?

All comments addressed in prior questions

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