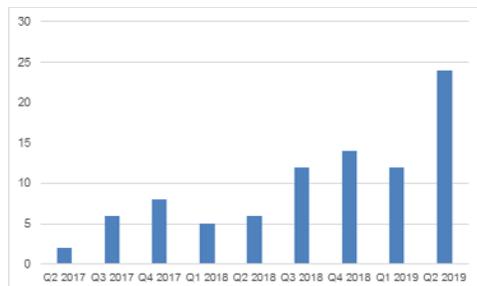


ESG in the Investment Industry

- The Business Roundtable – an association of America's leading CEOs – released a new Statement on the Purpose of a Corporation. It removed the words “shareholder primacy” and called for embracing sustainable business practices and treating employees with dignity and respect.
- The statement marks the CEOs’ commitment to leading companies for the benefit of all stakeholders – not just shareholders.
- In July, Senator Elizabeth Warren reintroduced the Climate Risk Disclosure Act, which would require public companies to share information about their climate-related risks.
- The bill seeks to help investors better evaluate companies’ climate-related risks, as well as facilitate the transition to cleaner energy sources.
- This followed the proposed Green New Deal resolution introduced in February, aiming to reduce GHG, source renewable energy, and tackle social justice issues in the United States.

“ESG” is Cited on 24 Earnings Calls



- In 2Q19, the number of companies citing ESG on earnings calls doubled quarter/quarter. We expect this trend to continue.
- Companies in the Financial, Real Estate, Utilities, Energy, and Industrials sectors led the ESG discussion.

ESG Ratings

- As ESG becomes more mainstream, additional companies are publishing ESG scores or ratings. It is important to understand the distinctions between methodologies.
- MSCI ESG Ratings assign companies a rating of AAA to CCC, and ranks them relative to their industry peers. 37 Key ESG Issues are weighed based on materiality for each industry in order to highlight material risks and opportunities.
- Sustainalytics assigns normalized ratings across industries and rates absolute ESG Risk with an emphasis on the unmanaged risks.

ESG at IR+M

- At IR+M, our research analysts and portfolio managers incorporate ESG factors into our fundamental bottom-up investment process. We view ESG as one tile in our credit research mosaic.
- ESG integration can lead to a more complete understanding of potential material issues.
- In July, the PRI released its annual signatory assessment reports; IR+M continued to score A's and B's in all categories of reporting, and made advancements in numerous areas, including Strategy and Governance and our work in the Securitized sector.
- All of our scores are above or in-line with the broad median scores.
- IR+M's Sustainability Task Force has led our efforts to increase composting and reduce plastic use in the office and at home.
- Since 2017, we have significantly decreased our daily trash, and improved our recycling and composting program. Our composting has increased 350% since implementation and we have implemented compostable and reusable dinnerware at the office.

ESG in the News

- ESG factors may influence headlines and impact credit performance, as reflected in the positive and negative examples below.
- + Vantage Data Centers (VDC), a firm that provides enterprise data center services and solutions, recently brought an ABS deal to market. A portion of the deal is backed by two data centers that are 100% hydro-powered.
- West Harris County (TX) will issue debt to finance the water authority's efforts to meet surface-water-reliant goals of 60% by 2025; the water authority's debt burden will double, and its prospective ability to raise rates will be pressured; the region has suffered severe subsidence over the last 100 years due to ground-water depletion.

Characteristics	Bloomberg Barclays US Aggregate (Agg) & MSCI Focused Sub-Indices			
	Standard	ESG-Weighted	SRI	Sustainability
Yield to Worst	2.13	2.05	2.09	2.01
Duration	5.75	5.96	5.60	5.42
Spread	48	42	44	37
Convexity	0.37	0.50	0.32	0.25
1-Yr Return (%)	10.17	10.00	10.37	9.74

Sources: Bloomberg, Bloomberg Barclays, MSCI, FactSet, and Financial Times as of 8/31/2019

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