

ESG Developments

- The Environmental Protection Agency (EPA) faces a Supreme Court case that could challenge the federal government's ability to fight the climate crisis and prevent its worst outcomes.
 - The case specifically targets the now-defunct Clean Power Plan of 2015. The plan required states to cut GHG emissions from existing power plants. Despite the plan being revoked in 2019, West Virginia v. EPA is advancing with the hope that regulatory agencies' control is limited.
- The European Commission moved to classify natural gas and nuclear as potential green energy sources in the EU Taxonomy, a framework outlining sustainable activities designed to steer government spending and private investment. The taxonomy is expected to pass despite criticisms from other EU member states and activists.
- The Intergovernmental Panel on Climate Change (IPCC) released a new report 'Climate Change 2022: Impacts, Adaptation and Vulnerability'. It particularly focuses on 'maladaptation', when well-intentioned projects go wrong due to unintended environmental and social consequences.

Characteristics	Bloomberg US Aggregate (Agg) & MSCI Focused Sub-Indices			
	Standard	ESG-Weighted	SRI	Sustainability
Yield to Worst	2.33	2.33	2.29	2.27
Duration	6.59	6.71	6.47	6.43
Spread (bp)	43	47	39	37
Convexity	0.46	0.62	0.42	0.39
1-Yr Return (%)	-0.80	-0.80	-0.75	-0.81

As of February 28, 2022

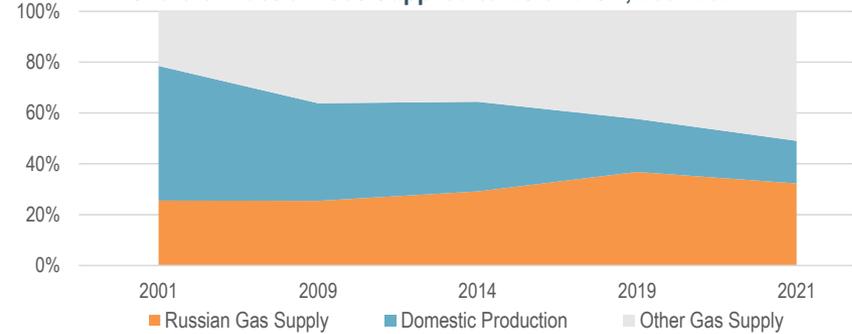
ESG Driving Change

- Ford Motor will separate its fast-growing electric vehicle operations from its legacy combustion engine business in a historic reorganization of the 118-year-old company.
- After seeking public input, the U.S. Securities and Exchange Commission (SEC) plans to propose standardized climate-related disclosures for investors in a forthcoming meeting.
- Millions tuned in to the 2022 Super Bowl and watched a record-breaking number of climate-related advertisements. Most advertisements focused on electric vehicles, as well as electric charging technology. The shift in advertising reflects the growing demand for sustainable products.

ESG in Focus: Geopolitics of Russian Fossil Fuels

- The EU is an outsized consumer of Russian fossil fuels, accounting for approximately 40% of Europe's natural gas. Since Russia's invasion of Ukraine, the EU now faces the difficult challenge of phasing out its dependence on Russian energy.

Share of Russian Gas Supplied to EU and UK, 2001-2021¹



- Russian oil and gas projects and companies are now facing capital and technological drains. BP, Shell, and Exxon are vowing to divest holdings and cut ties with Russian companies as they join in the public outcry against the invasion.
- The US recently banned all Russian oil and gas imports, strengthening sanctions that had been in place since 2014. With heightened sanctions and a renewed call for energy independence, many speculate for higher oil prices. In the near term, oil from other sources can supply growing US demand.
- In Europe, more robust shifts in energy supply, such as fast-tracking LNG imports, will be needed for true energy independence. These and other energy policies are reflected in the recently released RePowerEU plan.

Issuer Headline Events

- ESG factors influence headlines and can impact credit performance.
 - + SCE Recovery Funding LLC (EIX) is a wholly-owned, bankruptcy-remote subsidiary of Southern California Edison which received state approval to recover wildfire mitigation capital expenditures. The recent securitization bond issuance helps to lower the risk of wildfires while having a small impact on customer bills with low-income families excluded.
 - Telefonaktiebolaget LM Ericsson (ERICB) failed to disclose additional bribery breaches related to conduct in Iraq before entering a deferred prosecution agreement with the Department of Justice in 2019. In addition to paying the terrorist organization ISIS, ERICB also forced contractors to keep working in the volatile country which led to ISIS kidnapping the workers.

Sources: Bloomberg (as of 02/28/2022), U.S. Energy Information Administration (EIA) (as of 12/13/2021), Intergovernmental Panel on Climate Change (IPCC) (as of 02/28/2022), The U.S. Securities and Exchange Commission (SEC) (as of 03/11/2022), IEA (2022), Russian supplies to global energy markets, IEA, Paris <https://www.iea.org/reports/russian-supplies-to-global-energy-markets>
This is not a recommendation to purchase or sell any specific security listed above.

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