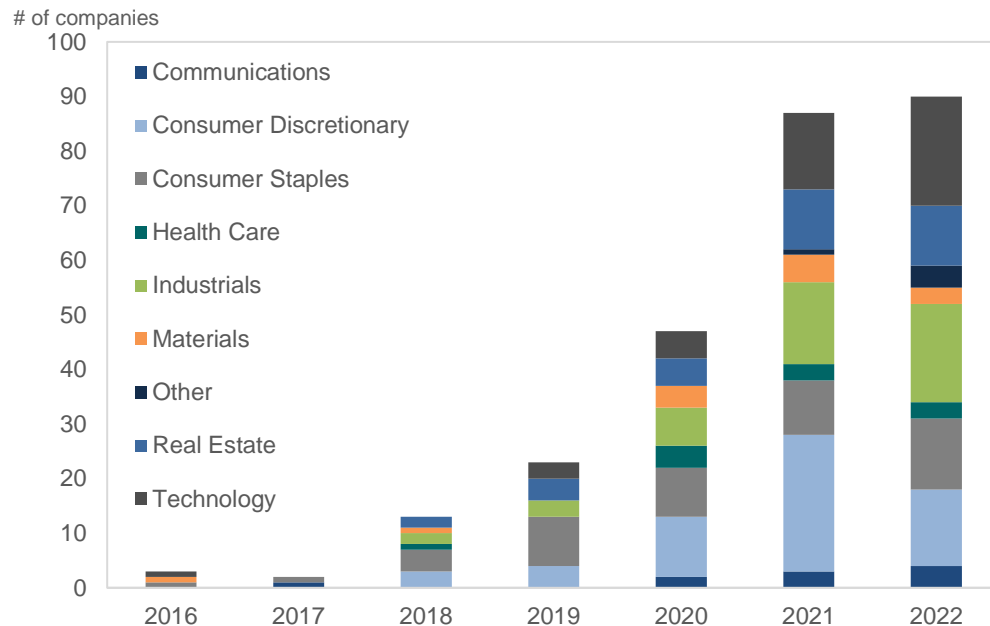
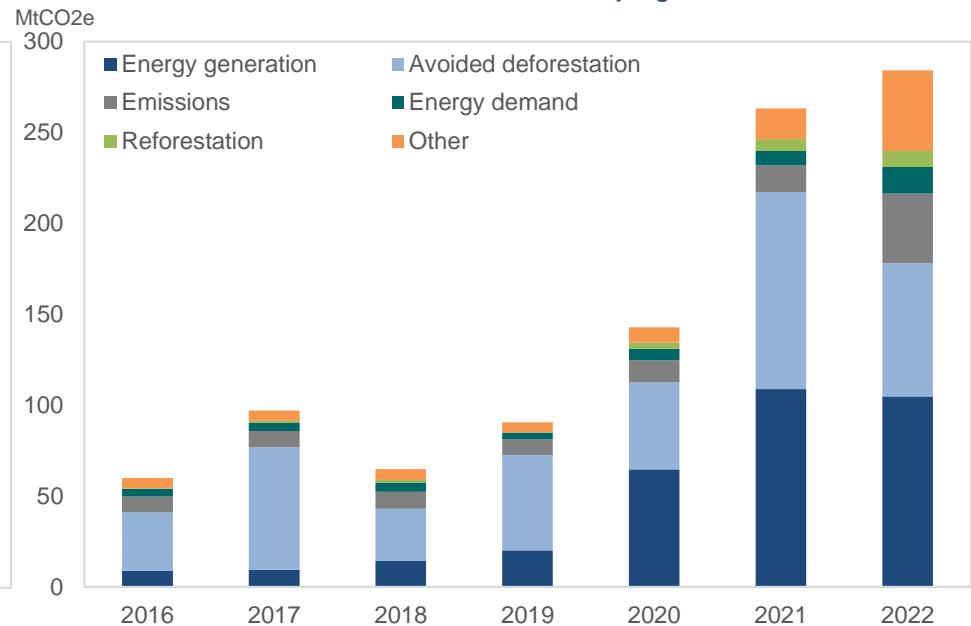


Investing in Our Planet – SBTi and Carbon Offsets

US Companies Increasingly Committing to Science Based Targets



Carbon Offset Issuance Keeping Pace



- **Science-Based Targets.** More companies are committing to greenhouse gas (GHG) reduction targets that are aligned with the Science Based Targets initiative (SBTi). Through October 31, 2022, over 3,800 companies have pledged to meet targets with SBTi; however, only 46% of those companies have had their targets approved by the SBTi.
- **Reaching the Targets?** Companies are leveraging multiple tools and technologies, including carbon offsets, to achieve their reduction targets. While carbon offsets are growing in popularity, their validity and impact are being scrutinized. When evaluating carbon offsets, quality is the biggest factor. Selecting a high-quality offset provider may come at a higher cost, but choosing a lower-quality provider could subject a company to backlash and criticism.
- **The Future of Carbon Offsets.** Companies with SBTi targets may utilize carbon offsets to reach their net-zero goals if the offsets are related to reforestation, agriculture, direct air capture, and bioenergy with carbon capture and storage. Requiring companies to use these higher-quality offsets may be expensive, but we believe the resulting quantifiable, measurable, and verifiable impacts will be worth it.

Source: Bloomberg as of 4/12/23. The "Other" in the LHS chart is comprised of the Financials and Utilities sectors. The "Other" in the RHS chart is comprised of agriculture, waste, transport, blue carbon, manufacturing, metals, chemicals, and livestock and manure management. The views contained in this report are those of Income Research & Management ("IR+M") and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, investing in the bond market is subject to certain risks including but not limited to market, interest rate, credit, call or prepayment, extension, issuer, and inflation risk. It should not be assumed that the yields or any other data presented exist today or will in the future. It should not be assumed that recommendations made will be profitable in the future. Actual results may vary. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management. MtCO₂e refers to the metrics tons of carbon dioxide equivalent. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.