

ESG Developments

- Investor support for environmental and social shareholder proposals has decreased this proxy season as investors grapple with hesitation over prescriptive directives and mounting political pressure.
- Leaders of the Group of Seven (G7), including the United States, committed to a fully or predominately decarbonized power sector by 2035, but failed to set a deadline to phase out coal power. Germany and Japan advocated for the continued use of gas and coal, respectively.
- The US solar market boasted its best first quarter in industry history with 6.1 GWdc (gigawatts-direct current) of capacity installed, a 47% increase from 1Q 2022.
 - Solar comprised 54% of all new electricity generating capacity added to the US grid in 1Q 2023.
 - The US solar industry is expected to nearly triple in size over the next five years, with 236 GWdc projected to be installed by 2028.
- Royal Bank of Canada was the top fossil fuel financier in 2022, followed by JP Morgan, Wells Fargo, Bank of America, and Citi

Characteristics	Bloomberg US Aggregate (Agg) & MSCI Focused Sub-Indices			
	Standard	ESG-Weighted	SRI	Sustainability
Yield to Worst (%)	4.59	4.61	4.56	4.55
Duration (Years)	6.34	6.40	6.26	6.30
Spread (bp)	55	57	51	51
Convexity	0.59	0.68	0.57	0.57
1-Yr Return (%)	-2.14	-2.05	-2.16	-2.16

As of May 31, 2023

Science-Based Targets for Nature

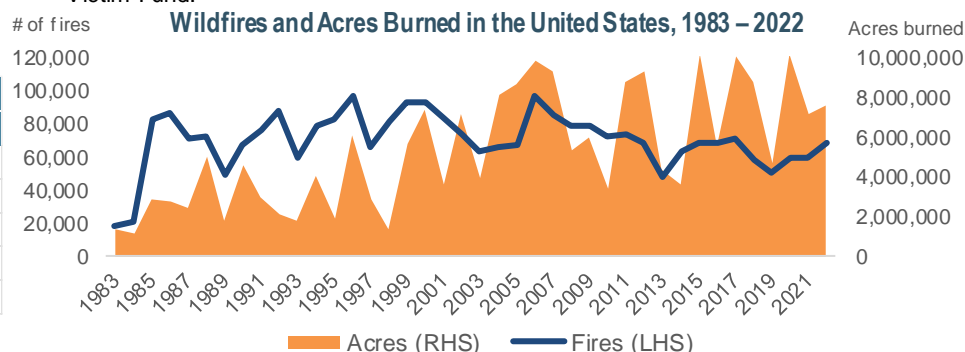
- Biodiversity risk is an increasing focus for companies around the world. The Kunming-Montreal Global Biodiversity Framework was adopted out of the COP15 UN Biodiversity Conference, whose goal is to end biodiversity loss and protect natural ecosystems.
- On May 24th, the Science Based Targets Network (SBTN) established targets for nature geared toward corporations. These targets aim to assist companies in assessing and addressing their environmental impacts and setting appropriate targets.
- The initial release of the science-based targets for nature will include fresh water and land, with future coverage plans to include biodiversity and ocean targets.

Source: Bloomberg as of June 1, 2023.

*This is not a recommendation to purchase or sell any specific security listed above. The issuers listed are those IR+M deems to be most meaningful during the quarter.

The Impact of Wildfires on the United States

- From January to May 2023, the US has experienced over 18,000 wildfires and 510,000 acres burned. While this is the third fewest number of wildfires and the seventh least acres burned in the past 24 years, the frequency and impact of the fires year-over-year are felt throughout the economy.
- Exposure to catastrophes and extreme weather events are pushing companies to reassess their business – State Farm and Allstate will no longer accept new applications for homeowners' insurance in California. Additional factors, such as increases in construction costs outpacing inflation and a challenging reinsurance market, played roles in the insurance company's final decision.
 - Wildfires and hurricanes have hampered states like California, Florida, and Louisiana as climate risks have intensified and costs to rebuild have increased.
- Starting in 2021, PG&E began issuing Wildfire Recovery Bonds in an effort to recover wildfire and litigation-related expenses from the catastrophic 2017 wildfires. The proceeds have been used to refinance outstanding mortgage debt and fund a Wildfire Victim Fund.



Source: National Interagency Fire Center (2023). 2004 does not include fires and acres for North Carolina. <https://www.nifc.gov/fire-information/statistics/wildfires>

Issuer Headline Events*

- ESG factors influence headlines and can impact credit performance.
 - + General Motors (GM) announced a collaboration to adopt Tesla's North American Charging Standard (NACS) into electric vehicles (EVs) starting in 2025 and provide current GM EV owners access to 12,000 Tesla superchargers in 2024. This helps address charging infrastructure concerns and promote uniformity as fellow US automotive manufacturer, Ford, made a similar announcement earlier this year.
 - Goldman Sachs agreed to pay \$215 million to settle a class action lawsuit initially filed in 2010, which alleged widespread bias towards women regarding pay and promotions. The settlement will cover nearly 3,000 current and former female employees.

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