

ESG Developments

- Seven global automakers - BMW, GM, Honda, Hyundai, Kia, Mercedes-Benz, and Stellantis –formed a joint venture to deploy an upgraded electric vehicle charging network across North America. They are targeting at least 30,000 chargers, intended to be powered solely by renewable energy.
- A recent United Nations report estimates that invasive species cost the global economy over \$420 billion annually and play critical roles in 60% of animal and plant extinctions.
- Shipping groups and traders are at odds over who should pay the financial costs of new environmental regulations from the International Maritime Organization, as they face pressure to decrease emissions.
 - The division highlights the longstanding struggle to create sufficient incentives to decarbonize the shipping industry, which transports more than 80% of global trade and remains heavily reliant on fossil fuels.
- Canada’s wildfires released a record 290 megatons of carbon through July, already doubling Canada’s previous annual record of 138 megatons released in 2014.
- Summer 2023 was the hottest on record; the July global surface temperature was 1.1°C (2.2°F) above the 20th century average.

Characteristics	Bloomberg US Aggregate (Agg) & MSCI Focused Sub-Indices			
	Standard	ESG-Weighted	SRI	Sustainability
Yield to Worst (%)	4.97	4.96	4.94	4.94
Duration (Years)	6.25	6.28	6.18	6.22
Spread (bp)	48	48	45	45
Convexity	0.61	0.67	0.59	0.60
1-Yr Return (%)	-1.19	-1.01	-1.27	-1.30

As of August 31, 2023

ESG Regulation

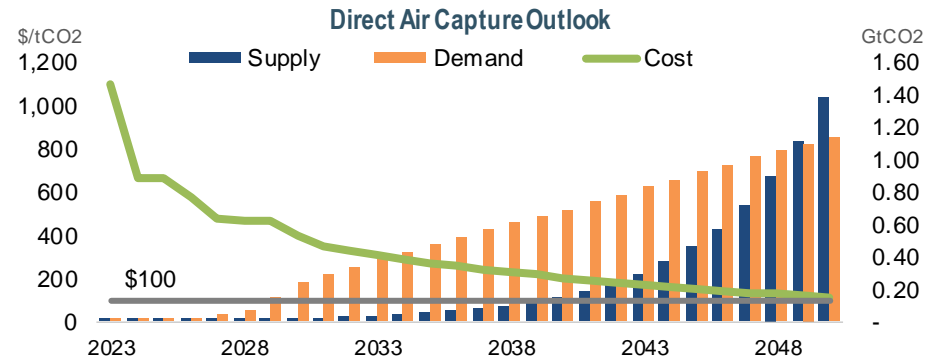
- Global ESG regulation continues to increase, aiming to mitigate greenwashing, improve disclosures, and provide reporting consistency.
- In July, the European Commission adopted the European Sustainability Reporting Standards (ESRS). This will be leveraged by companies subject to the Corporate Sustainability Reporting Directive (CSRD), which went into effect earlier this year.
- The SEC’s climate-related disclosure proposal is expected to be finalized by year-end. The proposed rules would require registrants to disclose direct GHG emissions for Scope 1 and 2. Scope 3 emissions will be disclosed if they are deemed material or if they are included in an emissions target or goal set by the registrant.

Source: Bloomberg as of September 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.

Direct Air Capture

- Direct air capture (DAC) is a process that separates carbon dioxide (CO₂) from the air, where it is then safely and permanently stored deep underground or converted into materials such as concrete.
- The US Department of Energy announced funding of up to \$1.2 billion to advance the development of commercial DAC facilities in Louisiana and Texas, the first commercial-scale DAC projects in the US. More than 2 million metric tons of CO₂ are expected to be removed by these sites while creating 4,800 new jobs.
- Oil companies are increasingly involved in DAC projects. Occidental is leading the development of the above-mentioned Texas project. Chevron will receive \$3 million to explore a DAC project in California. Exxon is working on a pilot project as well.
- Currently, DAC offsets are not economically feasible with an average price of \$1,100/tCO₂. With increasing investments in DAC projects, supply constraints are expected to improve, allowing DAC offsets to be competitive in the long term.



Source: Bloomberg as of September 7, 2023

Issuer Headline Events*

- ESG factors influence headlines and can impact credit performance.
 - + Amazon (AMZN) will update its supply chain standards to require regular reporting and carbon emissions goals starting in 2024. Amazon’s net zero target is set for 2040 and requires its global supply chain to decarbonize its own operations. The company will extend investments and tools to help suppliers reach their goals.
 - MGM Resorts International (MGM) was involved in a cyberattack that impacted various business functions, including payment systems. The FBI is assisting MGM in evaluating the cyberattack. MGM dealt with a separate data breach in 2019, which exposed over 10.6 million customers’ personal information.

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