

**ESG Developments**

- 2023 was the hottest year on record as the global average temperature nearly breached 1.5° C warmer than pre-industrial levels. Almost half the days in 2023 were 1.5° C warmer.
- The Environmental Protection Agency announced new national pollution standards for motor vehicles starting with 2027 model years. These standards will avoid more than 7 billion tons of carbon emissions and could accelerate electric vehicle adoption.
- The EU passed the Corporate Sustainability Due Diligence Directive despite some member countries' objections to parts of the legislation.
- California approved a nearly \$2 billion investment in clean transportation infrastructure, which includes EV charging, port infrastructure, and vehicle workforce development.
- Tensions in the Middle East caused marine transporters to divert from the Red Sea, resulting in increased fuel costs and nearly 70% more emissions from higher speeds and longer routes.

Characteristics	Bloomberg US Aggregate (Agg) & MSCI Focused Sub-Indices			
	Standard	ESG-Weighted	SRI	Sustainability
Yield to Worst (%)	4.85	4.82	4.82	4.82
Duration (Years)	6.21	6.23	6.14	6.18
Spread (bp)	39	38	37	37
Convexity	0.58	0.64	0.55	0.56
1-Yr Return (%)	2.36	2.46	2.25	2.21

As of March 29, 2024

**SEC's Climate Disclosure Rule**

- In March, the SEC adopted final rules requiring public companies to disclose certain climate-related information in registration statements and annual reports.
- Scope 1 and 2 greenhouse gas (GHG) emissions were included in the final rule on a phased-in basis, along with assurance. Scope 3 emissions were excluded from the final rule due to concerns about compliance costs.
- The rule was met with significant legal challenges, and the SEC elected to pause the rule pending judicial review.

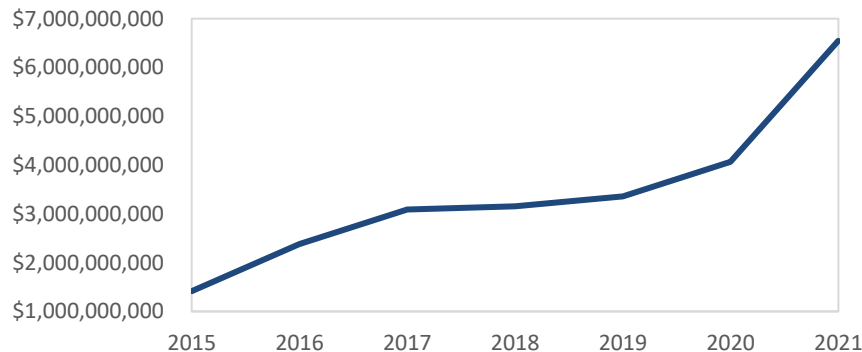
Source: SEC 3/6/24

\*Source: Bloomberg. Debt issuance is a total of green, social, sustainable and sustainability-linked bonds issued globally represented in billions of USD from 12/31/23 to 3/31/24.

**Cyber Security Insurance Premiums on the Rise**

- Cyber-related insurance premiums grew over 360% from 2015 – 2021 and are expected to surge to almost \$25 billion by 2025.
- According to one study, cyber claims grew 12% in the first half of 2023 and increased 27% and 61% in frequency and severity, respectively, over that same period.
- A range of industries, from governmental agencies to Fortune 500 companies, face cyber risks while navigating expensive cyber insurance premiums and developing and enhancing their cybersecurity and data privacy programs.
- Stakeholders are increasingly focused on cybersecurity and data privacy. Data breaches and cyberattacks can meaningfully impact an issuer's financials and reputation.

**US Cyber Insurance Premiums**



Source: Bloomberg

**Labeled Bonds**

Type	Debt Issued (\$bn)*
Green	225
Social	61
Sustainable	74
Sustainability-Linked	68

- Within the US, we saw labeled issuance of \$32.2bn over the quarter led by nearly \$22bn in green bonds.

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