

ESG Developments

- The 28th annual Conference of Parties to the UN Framework Convention on Climate Change (COP 28) took place in Dubai earlier in December.
 - Over 65,000 core participants attended, far exceeding all previous Climate Change COPs.
 - There was a significant increase in representatives from the fossil fuel industry, with over 2,000 registered to attend. By comparison, only about 600 and 500 fossil fuel lobbyists registered for COP 27 and COP 26, respectively.
- The US Treasury published its "Principles for Net-Zero Financing & Investment" report, which was geared towards setting best practices, consistency, and credibility for private sector financial institutions creating and pursuing net zero ambitions.
- Several major banks including HSBC, Societe Generale, and Standard Chartered have chosen to exit the Science Based Targets initiative (SBTi) validation process of their climate targets.
 - The exits come ahead of an updated SBTi standard, which includes strict limitations on fossil fuel financing.

Characteristics	Bloomberg US Aggregate (Agg) & MSCI Focused Sub-Indices			
	Standard	ESG-Weighted	SRI	Sustainability
Yield to Worst (%)	5.05	5.03	5.03	5.03
Duration (Years)	6.19	6.21	6.12	6.17
Spread (bp)	45	44	43	43
Convexity	0.61	0.66	0.59	0.60
1-Yr Return (%)	1.18	1.32	1.09	1.06

As of November 30, 2023

COP 28

- During COP 28, countries agreed to transition away from fossil fuels in an attempt to reach net zero emissions globally by 2050. While this was the first explicit reference to phasing out fossil fuels, it was widely criticized as not being ambitious in practice.
- The loss and damage fund created at last year's COP received contributions of over \$700 million, led by Italy, France, UAE, and Germany.
- Over 50 oil and gas companies pledged to cut their methane emissions by 2030, including ExxonMobil, Occidental Petroleum, and Saudi Aramco.
- A proposal to regulate the carbon markets failed as the EU, Mexico, and Latin America rejected the deal for not being strict enough.

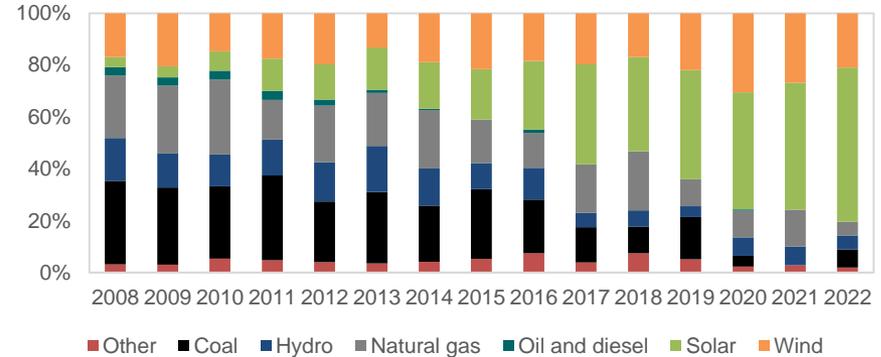
Source: Bloomberg as of December 20, 2023.

*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.

Renewable Momentum

- Globally, wind and solar made up 80% of new generation capacity in 2022, compared to just 33% in 2012.
- The US Energy Information Administration expects 50.4 gigawatts of coal capacity to retire by 2030, continuing the decline in coal generation in recent years.
 - In the US, electricity generated by solar and wind systems is expected to surpass coal-generated power in 2024.
- In 2022, global funding for renewable energy projects reached a record high of \$560 billion, driven by successful net-metering policies and tax incentives.
- China continues to dominate in terms of wind and solar capacity additions; in 2022, China added 107 gigawatts of solar capacity and 49 gigawatts of wind capacity.
 - By comparison, in 2022, the US added just 22 gigawatts of solar capacity and 9 gigawatts of wind capacity.

Share of Global Capacity Additions



Source: Bloomberg as of December 5th, 2023. Other includes biomass and waste, geothermal, marine, nuclear, other fossil fuels.

Issuer Headline Events*

- ESG factors influence headlines and can impact credit performance.
 - + Ford and GM ended their six-week strike with the UAW by agreeing to a 25% increase in wages over the next 4.5 years, cost-of-living adjustments, elimination of the two-tier system of wages, and improved worker protections in the event of plant closures.
 - VF Corporation's operations were disrupted due to a cyber-security incident. According to their regulatory filing reporting the matter, the company expects this to have a material negative impact on its business, which includes brands such as The North Face and Vans.

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