



November 2022

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GUZMAN & COMPANY



ESG Trends in S&P 500

95%

As of Q4'21, 95% of S&P 500 companies have some type of ESG information publicly available

~20%

S&P 500 companies have issued ESG debt or have an ESG-linked credit facility

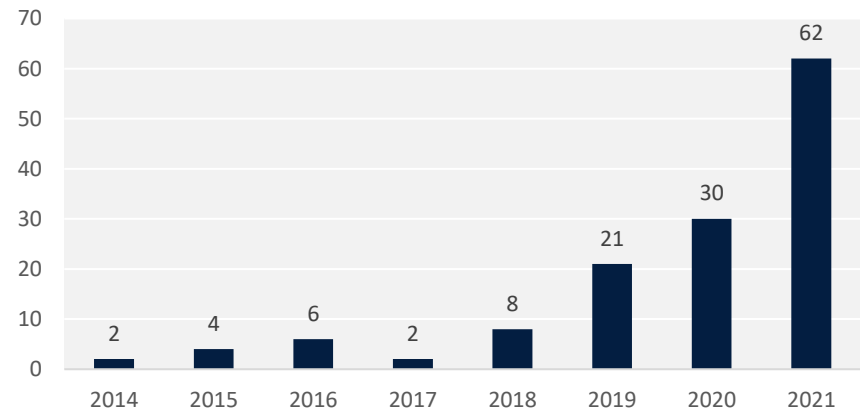
~35%

We estimate that ~35% of S&P 500 will have ESG bonds or credit facility by year end 2022.

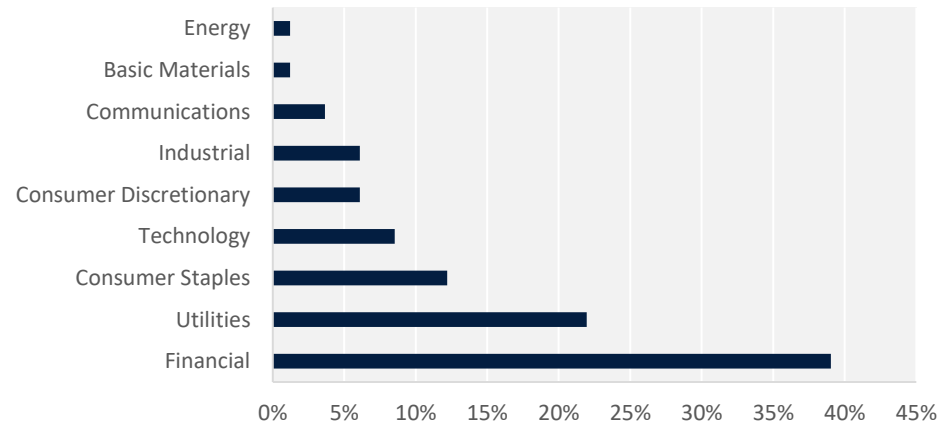
38%

38% of S&P 500 ESG bonds issued by the Financial sector, 22% by Utilities and 12% by Consumer Staples

Number of S&P 500 ESG Issuers each year



Distribution of total ESG Issuers by Sector (%)





Investment Grade ESG Trends

U.S. Market

- We see strong evidence of higher demand for ESG issuances relative to non-ESG peers.
- The average cover ratio (oversubscription) for ESG issuances in 2021 is about 15% greater than for non-ESG issuances (3.44x vs 2.97x cover ratio).

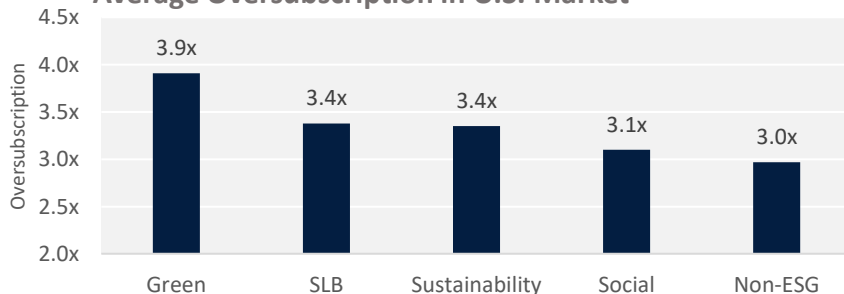
ESG Type	2021		
	Bonds	Amount Issued (\$bn)	Average Cover Ratio
Green	117	70.7	3.91
Sustainability-Linked	34	20.3	3.38
Sustainability	88	71.1	3.35
Social	24	10.4	3.10
Non-ESG	3,665	2235.7	2.97

Global Market

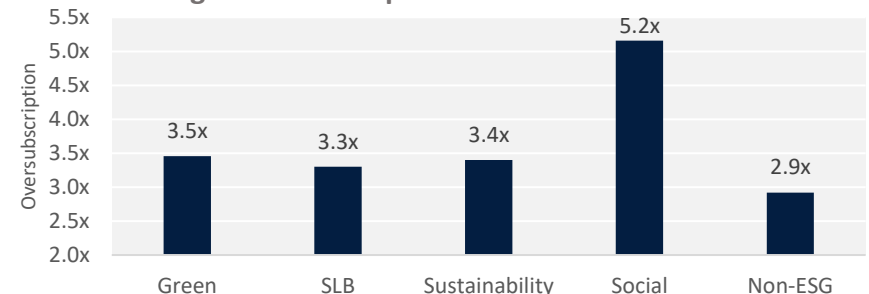
- The average cover ratio (oversubscription) in 2021 for ESG globally is 3.83x, compared to 2.92x in non-ESG.
- The social ESG bond type has the highest cover ratio globally, reaching an average level of 5.16x in 2021, though declining in market share.

ESG Type	2021		
	Bonds	Amount Issued (\$bn)	Average Cover Ratio
Green	313	193.0	3.46
Sustainability-Linked	65	44.1	3.30
Sustainability	157	99.4	3.40
Social	60	84.5	5.16
Non-ESG	5,578	3154.1	2.92

Average Oversubscription in U.S. Market



Average Oversubscription in Global Market





ESG Newsletter Example

The following market report is a highlight of recent developments and commentary in ESG capital markets.

Notable updates include:

ESG Debt Issuance (U.S.)

- Since July, there have been 14 ESG bonds issued: 8 Green bonds (57%), 4 sustainability bonds (29%), and 2 sustainability-linked bonds (14%)
 - Total ESG debt issued since July reached \$14.7 billion
 - YTD ESG debt issuance is at \$50 billion
- Industrials had the most ESG issuances with 8 issuances
- The largest ESG issuance in July/August was General Motors Co with a total of \$2.25 billion
- 86% (12 bonds) of the 14 ESG bonds had a minority-owned bank involved in the transaction
- Guzman & Company was involved as a Co-Manager in the Wells Fargo Sustainability transaction highlighted below

Issuer Name	Ticker	Issuer Industry	Amt Issued	Issue Date	Coupon	Tenor	ESG	Minorities
PepsiCo Inc	PEP	INDUSTRIAL	\$1,250,000,000	7/18/2022	3.90	10	Green Bond	Yes
General Motors Co	GM	INDUSTRIAL	\$1,250,000,000	8/2/2022	5.60	10	Green Bond	Yes
General Motors Co	GM	INDUSTRIAL	\$1,000,000,000	8/2/2022	5.40	7	Green Bond	Yes
Intel Corp	INTC	INDUSTRIAL	\$1,250,000,000	8/5/2022	4.15	10	Green Bond	Yes
Wisconsin Power and Light Co	LNT	UTILITY - ELEC	\$600,000,000	8/15/2022	3.95	10	Green Bond	Yes
Ford Motor Co	F	INDUSTRIAL	\$1,750,000,000	8/19/2022	6.10	10	Green Bond	Yes
Entergy Louisiana LLC	ETR	INDUSTRIAL	\$500,000,000	8/24/2022	4.75	30	Green Bond	Yes
Union Pacific Corp	UNP	TRANS - RAIL	\$600,000,000	9/9/2022	4.95	30	Green Bond	Yes
Alabama Power Co	SO	UTILITY - ELEC	\$450,000,000	8/12/2022	3.94	10	Sustainability Bond	Yes
Wells Fargo & Co	WFC	BANK	\$2,000,000,000	8/15/2022	4.54	4	Sustainability Bond	Yes
National Rural Utilities Cooperative Finance Corp	NRUC	UTILITY - ELEC	\$400,000,000	8/17/2022	4.15	10	Sustainability Bond	
Santander Holdings USA Inc	SANUSA	BANK	\$500,000,000	9/9/2022	5.81	4	Sustainability Bond	Yes
JBS USA Food Co / JBS USA Finance Inc	JBSSBZ	INDUSTRIAL	\$918,577,000	8/19/2022	3.63	9	Sustainability-Linked	
Eaton Corp	ETN	INDUSTRIAL	\$1,300,000,000	8/23/2022	4.15	11	Sustainability-Linked	Yes

Guzman Monthly: ESG Capital Markets

Capital Markets:

New ESG Cops Flex Might, Hinting at Corporate Crackdown to Come

The Securities and Exchange Commission created its Climate and ESG Task Force a year and a half ago. The unit has mostly kept working behind the scenes. But in the last four months, it has helped bring at least three enforcement actions, according to agency records.

Companies that have faced allegations of misleading ESG claims include Bank of New York Mellon Corp., health insurance distributor Benefytt Technologies Inc., and Brazilian mining company Vale S.A.

The SEC is working on new rules to combat bogus ESG claims by investment funds and to force companies to disclose how climate change affects their operations. New rules or not, SEC Chair Gary Gensler is facing pressure from Democrats and investor advocates to guard against misleading corporate disclosures about climate change and other ESG issues.

More enforcement actions also may come with help from the SEC's Divisions of Corporation Finance and Examinations. The units are busy reviewing company disclosures and investment firms with an eye on what's said about ESG, said Amy Greer, a former SEC lawyer and co-chair of Baker & McKenzie LLP's North American financial regulation and enforcement practice. The staff in the units can send information about potential wrongdoing to the SEC's Enforcement Division, which must use existing rules to bring ESG cases since the new regulations are still not in place. (Bloomberg, 8/10/2022)

Chicago Plans First Sale of ESG-Labeled Muni Bonds This Fall

Chicago plans to sell its first ESG-labeled municipal bonds this fall, offering between \$100 million and \$150 million, the city's Chief Financial Officer Jennie Bennett said at the Chicago Investors' Conference on Thursday.

The debt will be general obligation bonds and will be reviewed by Kestrel, an ESG verification company. The bonds are meant to support projects in the Chicago Recovery Plan, a \$1.2 billion economic development initiative that leverages federal aid alongside municipal bonds, Bennett said. The city of Chicago surveyed major ESG investors "to ensure we are meeting what the market is looking for."

The use of proceeds of the bonds would fund environmentally and socially beneficial projects. (Bloomberg, 8/11/2022)

ESG ETFs Rebound in Past Week with \$254.3M Inflows

Investments in ESG exchange-traded funds swung to inflows last week. Net inflows to ESG ETFs totaled \$254.3 million in the week ended Aug. 26, compared with outflows of \$86.1 million the prior week.

Cathay Taiwan Select ESG Sustainability High Yield had the biggest weekly inflow, of \$104.5 million, leaving it with total assets under management of \$3.31 billion. The same fund also had the biggest inflow year-to-date, of \$2.46 billion.

Amundi Index MSCI USA Sri PAB had the biggest weekly outflow, of \$100.6 million, leaving it with total assets under management of \$4.62 billion.

Assets under management for 1032 ESG-focused ETFs totaled \$439.5 billion. The fund with the highest AUM was iShares ESG Aware MSCI USA at \$22.8 billion; the ETF had inflows of \$9.17 million last week and its one-year tracking error is 0.007.

Xtrackers MSCI Europe Energy ESG Screened had the best total returns year-to-date at 30% and had outflows of \$0 last week; one-year tracking error is 1.685. (Bloomberg 8/29/2022)