

# ESG Engagement Example

## Q1 2022

### BACKGROUND

This quarter, we met with one of the largest Canadian energy infrastructure companies to discuss Environmental and Social themes. The issuer operates within one of the highest emitting sectors in Canada, and the nature of its operations can have a high impact on Canadian communities, specifically Indigenous groups.

### ENGAGEMENT FOCUS

**Our conversations focused on two impact themes for the issuer:**

- Reducing the carbon footprint of their operations
- Engagement with communities in which the company has a significant physical footprint

The issuer had recently released a detailed carbon accounting report and set carbon reduction plans for their operations. RPIA also discussed the impacts of the company's physical footprint on Indigenous communities to understand how the issuer considered community rights, equity, and representation within the company itself.

### PROGRESS & MONITORING

We deemed the company's carbon disclosure as advanced relative to peers. Their reduction plans in-line with strategies implemented at Canadian and US peers within the same subsector. Their reduction plans included credible medium and long-term targets with clear progress points along the timeline. RPIA raised the concern that the company's recent emissions trends were increasing, making future reductions more difficult. We will monitor the company's actions to modernize their current projects to reduce the impact of carbon from operations (better controls around fugitive emissions, electrification of operations, renewable PPAs, etc.).

The company has exhibited a high level of awareness around community engagement with the Indigenous groups that are most impacted by their physical footprint. We supported the issuer's efforts and discussed possibly expanding their measurements and targets to include more information on how well Indigenous people are represented within the company. We will monitor several frameworks that the issuer plans to implement in 2022 that focus on equity and representation for both communities and Indigenous people the issuer employs.

## RECOMMENDATIONS

Given the issuer's newly set carbon reduction targets, RPIA recommended issuing a sustainability-linked bond (SLB) to align funding with their ESG goals. Given the company's operating profile, we recommended an SLB structure that includes two critical metrics:

- An emissions reduction KPI linked to its 2030 mid-term reduction target
- A KPI linked to Indigenous community engagement, such as increasing Indigenous peoples within their workforce, manager-level, or higher employees

### Important Information

The information herein is presented by RP Investment Advisors LP ("RPIA") and is for informational purposes only. It does not provide financial, legal, accounting, tax, investment, or other advice and should not be acted or relied upon in that regard without seeking the appropriate professional advice. The information is drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed, nor in providing it does RPIA assume any responsibility or liability whatsoever. The information provided may be subject to change and RPIA does not undertake any obligation to communicate revisions or updates to the information presented. Unless otherwise stated, the source for all information is RPIA. The information presented does not form the basis of any offer or solicitation for the purchase or sale of securities. Products and services of RPIA are only available in jurisdictions where they may be lawfully offered and to investors who qualify under applicable regulation. RPIA is a signatory of the UN Principles for Responsible Investment and as part of our commitment, we consider Environmental, Social & Governance ("ESG") factors as part of our firm-level activities, including our investment process. ESG factors are important considerations in our investment management process but is supplemental to our primary financial and credit research and analysis functions.

ESG factors that may be considered as part of our investment process include matters relating to climate change, energy use, energy efficiency, emissions, waste, pollution, matters related to human rights, impact on local communities, labour practices, employee working conditions, health and safety of the employees and affiliates, employee relations and diversity, executive compensation, bribery and corruption, board independence, board composition and diversity, alignment of interest between the shareholders and the executives, shareholder rights, and companies' policies relating to ESG.

ESG integration, including components relating to issuer engagement, is a firm-wide investment approach but the weight and importance of it in our investment management process can vary across the investment funds we manage. Always refer to the relevant fund offering documents for important information on the investment objectives, strategies and associated risks of a particular fund. The consideration and implementation of ESG factors are also subject to RPIA's internal investment and risk management policies and may be revised as a result of investment suitability requirements, current portfolio positioning and external market and economic factors.

The consideration of ESG factors in the investment process for RP Strategic Income Plus Fund and RP Alternative Global Bond Fund is weighted less than the core financial and credit analysis employed in the management of these funds. Please see the [simplified prospectus](#) for additional information.