

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

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