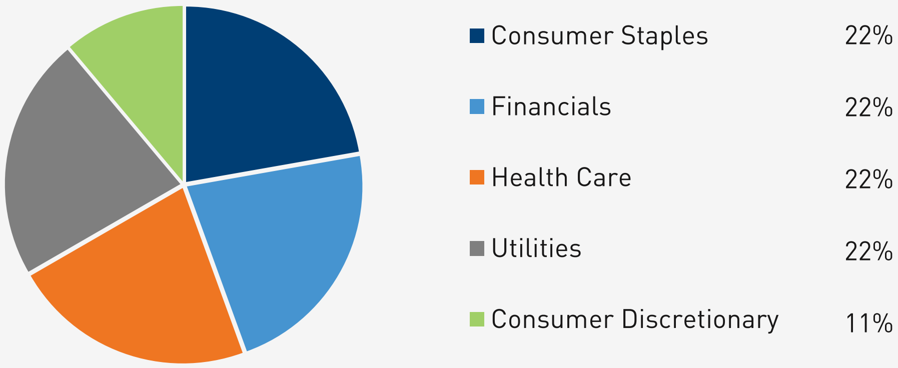
Q1 2024
Engagement Report

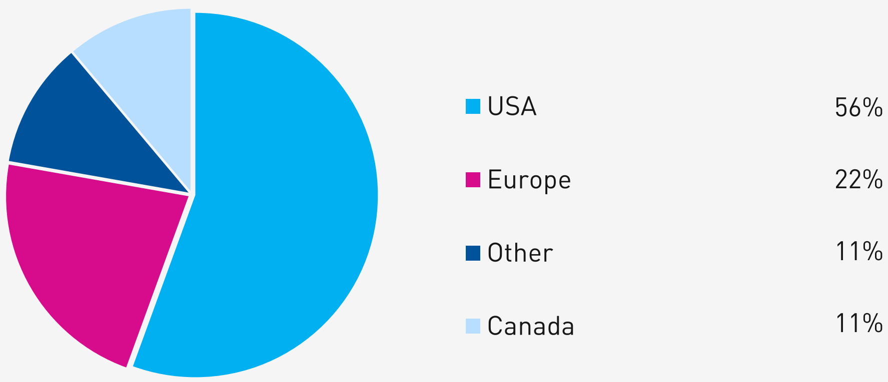
CONTENTS

Q1 2024 Engagement Breakdown

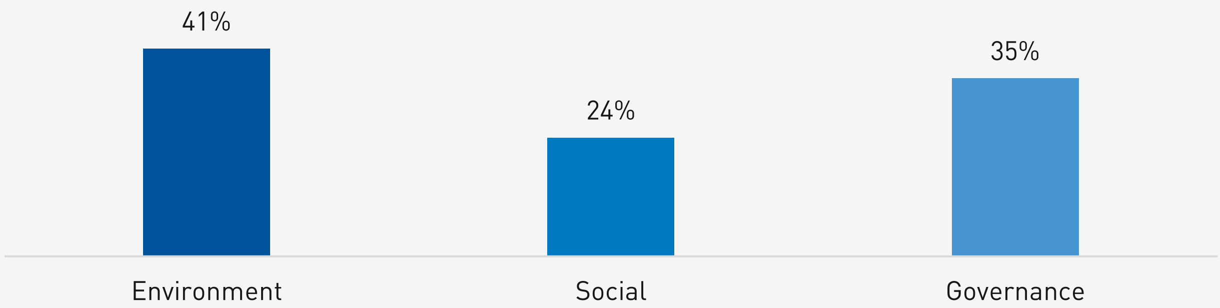
Engagements by Sector



Engagements by Geography



ESG Discussion Topics



Data has been rounded to the nearest number, and the sum may not equal to 100%.

Our Engagements

Gas Station Owner with EV Charging Stations

Sector: Consumer Staples
Geography: USA
Discussion Topic: Environmental, Social & Governance

Engagement Rationale

- This engagement is a part of our ongoing engagements with the gas station owners with EV charging stations peer group to gain insight into the steps taken to align with the broader trend of providing sustainable energy.
- The primary areas of focus for our engagement were GHG reduction targets, electric vehicle (EV) charging, tobacco sales, and board independence. Gas stations and convenience stores find themselves at odds with prevailing trends due to their reliance on fossil fuels and tobacco products.
- Until recently, this was a significant exposure in the portfolio, but we have since trimmed our position.

Highlights & Outcome

- The company emphasized its robust governance and reporting standards as a public entity, its progress ahead of schedule in reducing greenhouse gas (GHG) emissions, and its utilization of alternative energy sources to power its stores. Noteworthy achievements include:
  - 28% of stores are now powered by wind or solar energy.
  - A 38% reduction in GHG emissions, surpassing the 30% target set for 2022.
- We further appreciated the company's transparency in acknowledging that certain other actions focused on environmental, social, and governance (ESG) factors might not be economically viable at present, such as actively reducing cigarette sales and transitioning gas stations to electric vehicle (EV) charging stations. This approach appears to be more conservative than that of its peers.
- Overall, our view was positively impacted by the call, but the engagement did not result to any trades on the name.

Specialty and Generics Pharma

Sector: Health Care
Geography: Other
Discussion Topic: Social

Engagement Rationale

- This engagement builds on recent interactions with companies in its peer group. This company specializes in generics, which are chemical equivalents of originator products known for their affordability. Notably, this holding represents our largest exposure among drug manufacturers.
- The rising prices of drugs raise important social concerns, particularly regarding the balance between shareholder profitability and public welfare. Additionally, five years ago, the company's operations spanned across 83 manufacturing sites globally contributing to its carbon footprint. We were keen to understand the company's perspective on these issues and the measures being implemented to address them.

Highlights & Outcome

- They are making notable progress toward achieving key performance indicators (KPIs) linked to their Sustainability Linked Bonds (SLBs). These include:
    - Successfully implementing 7 out of 8 access-to-medicine programs aimed at low-income countries and disenfranchised populations.
    - Achieving a 24% reduction in scope 1 and 2 greenhouse gas (GHG) emissions, with targets set to 25% by 2025, 46% by 2030, and net zero by 2045.
- Furthermore, improvements in efficiencies have been made by reducing their manufacturing sites to 49, down from 83 five years ago, with a goal of 40-45 by 2027.
- We see minimal ESG risk associated with the company and emerged from the meeting with a more favorable view regarding the ESG concerns we had. There was no impact to our position based on this meeting.

Global Aircraft Lessor

Sector: Financials
Geography: USA
Discussion Topic: Environmental & Governance

Engagement Rationale

- Aviation companies, known for their high carbon emissions, face increasing pressure from evolving regulations, including those stemming from changes in government regimes and international agreements like the Paris Climate Agreement. We have recently connected with other companies in this peer group to better understand their approaches to sustainable energy practices.
- Alternative energy sources are gaining traction, reflecting a broader shift toward cleaner energy solutions. As this trend continues, we anticipate further exploration and adoption of sustainable practices within the aviation industry. This is a position we expect to hold for some time.

Highlights & Outcome

- Though the company currently lacks specific emission targets, measures are being taken to provide better reporting on key ESG metrics. Its parent company established a Carbon Neutrality policy back in 2022, aiming for net-zero emissions across its portfolio companies by 2040. Noteworthy steps towards improving fuel efficiency include:
  - Procuring newer aircraft models with improved fuel efficiency, resulting in an average fleet age of 6.1 years, significantly lower than the industry average of 12.4 years.
  - Investing in a group at the forefront of sustainable airline fuel (SAF) manufacturing. It's order book exclusively comprises fuel-efficient aircraft capable of operating with a blend of up to 50% SAF.
- This engagement highlighted the ESG initiatives the company is implementing to be better positioned in a changing landscape. There was no impact to our position based on this meeting.

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. The use of RP Barometer and issuer engagement may not apply equally to all issuers, securities and investment decisions made my RPIA. Engagement and trade examples are presented for illustrative purposes and do not necessarily reflect an investment decision for all strategies or funds managed by RPIA. 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, RP Alternative Global Bond Fund, and RP Target 2026 Discount 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.

RPIA

43 Hazelton Ave.
Toronto, ON
M5R 2E3

www.rpia.ca

Email Address: esg@rpia.ca
General Line: +1 647 776 1777
Investor Services: +1 647 776 2566