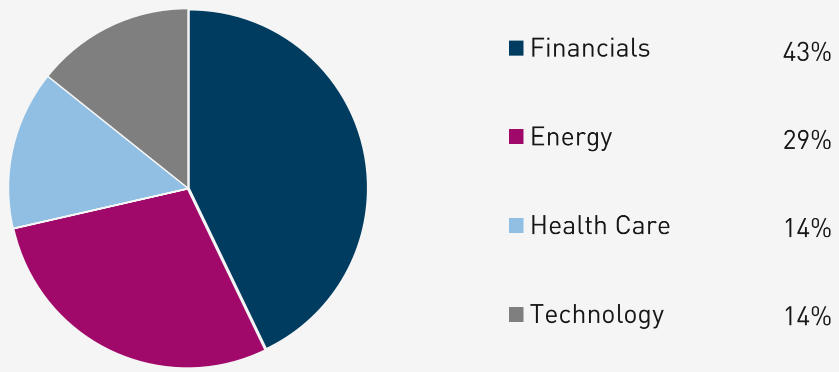
RPIA

Q1 2025
Engagement Report

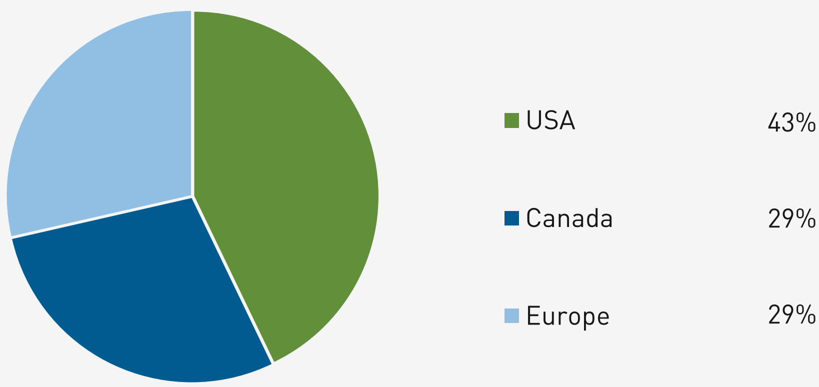
CONTENTS

Q1 2025 Engagement Breakdown

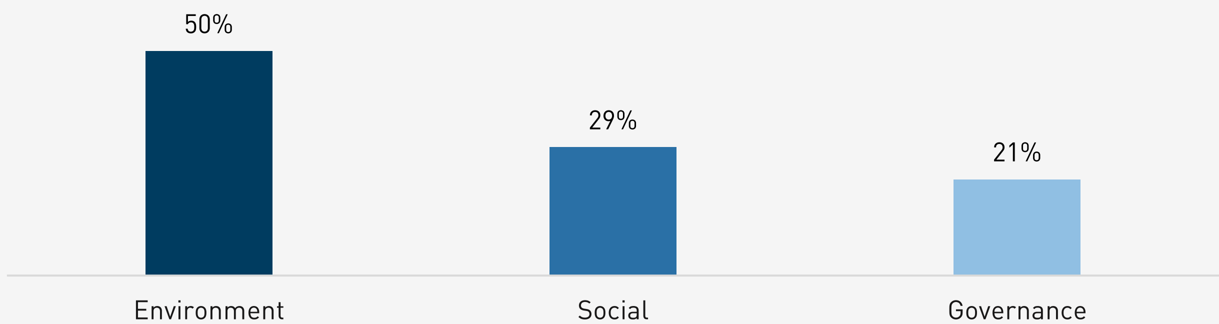
Engagements by Sector



Engagements by Geography



ESG Discussion Topics



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

Our Engagements

The integration of ESG considerations into corporate policies and practices had increasingly been viewed as a necessity - until recently. The new U.S. administration has made it a clear priority to roll back several ESG and DEI initiatives, arguing that such policies hinder economic growth and undermine meritocracy. As an example of the shifting rhetoric, the phrase "beautiful clean coal" - a combination of words few thought they would ever see together - was popularized during the administration's campaign, reflecting efforts to destigmatize high-carbon energy sources and promote renewed investment in fossil fuels.

North American Energy Infrastructure Company

Sector: Energy
Geography: Canada
Discussion Topic: Environment & Social

Engagement Rationale

- We engaged with issuers this quarter to better understand how they are responding to the evolving sentiment toward ESG and energy production. This energy infrastructure company is one of the largest bond issuers in North America and represents a significant holding across several of our mandates. Prior to our engagement, we had identified the company as a major GHG emitter that lagged peers on key ESG metrics, including safety performance and emissions intensity.

Highlights & Outcome

- During our engagement, the issuer provided insights into its elevated emissions profile, which is primarily driven by the scale of its operations and the predominance of natural gas transportation assets in its portfolio (natural gas is the energy source used in compressor units used to transport natural gas along a pipelines). While efforts to electrify assets are underway, full electrification remain challenging given that the assets are spread out over long distances and sometimes in remote regions. ESG expertise is embedded at the board level, supported by regular director training and sustainability updates.
- The issuer also outlined its approach to Indigenous economic participation, highlighting initiatives such as advisory councils and partnerships to maximize benefits for impacted communities. While no formal spend targets are set, ongoing dialogue and project-level opportunities are prioritized. Active engagement with Indigenous groups on equity participation opportunities continues to progress.
- On decarbonization, the issuer reaffirmed its 2050 net-zero commitment, recognizing that the pathway continues to evolve. Near-term efforts focus on methane management, pilot projects in low-carbon technologies, and investments in hydrogen and carbon capture. Despite political shifts, sustainability remains a core pillar of the long-term corporate strategy.
- The issuer also acknowledged its recent operational underperformance and outlined concrete plans to drive improvement. Following the engagement, no changes were made to portfolio positioning.

Canadian Energy Company

Sector: Energy
Geography: Canada
Discussion Topic: Environment & Social

Engagement Rationale

- We engaged with a leading Canadian energy infrastructure company, a major issuer in both the U.S. and Canadian fixed income markets and a significant holding across several of our mandates. The engagement focused on understanding how the issuer is managing key environmental and social risks, particularly given its substantial GHG footprint, exposure to the energy transition, and operational safety considerations.
- Our objective was to assess the company's progress toward its 2030 and 2050 emissions targets, its approach to the evolving regulatory and political landscape, and its strategies for Indigenous engagement and renewable energy investments. This engagement provided valuable insights into how the issuer is balancing near-term operational realities with longer-term sustainability goals.

Highlights & Outcome

- During our engagement, the issuer discussed their progress on emissions reduction, highlighting their 37% reduction in emissions intensity - achieved seven years ahead of their 2030 target. The company remains focused on fully integrating recent utility acquisitions and further reducing methane emissions. ESG oversight remains embedded across operations, and the company continues to explore renewable energy solutions adjacent to its core infrastructure assets.
- The issuer is pursuing a practical approach to the energy transition, supporting today's energy needs while advancing decarbonization initiatives such as carbon capture, renewable natural gas projects, and offshore wind developments. While Scope 1 and 2 emissions fell significantly in earlier years through asset sales, they rose post-pandemic due to new project activity. Scope 3 emissions reporting continues to expand as regulatory requirements evolve.
- Investment in renewable energy remains a strategic priority, with approximately 10% of a $27 billion secured capital program dedicated to renewables. Indigenous engagement has also been a key focus, with initiatives such as the Reconciliation Action Plan and partnerships with Indigenous communities on major projects.
- We came away encouraged by the issuer's ESG efforts, noting meaningful progress across environmental and social initiatives. Our conviction was affirmed, and no changes were made to the position which remains one of our largest holdings.

Large European Financial Institution

Sector: Financials
Geography: Europe
Discussion Topic: Environment & Governance

Engagement Rationale

- We engaged with a leading Irish financial institution, which was a significant holding across several of our index-relative mandates, to understand the potential impact of the new U.S. administration on Ireland-based multinational companies and more broadly on the Irish economy. In the meantime, with a rising trend of anti-ESG sentiment and regulatory uncertainty in the U.S., we sought to assess whether these political shifts might alter the bank's commitment to sustainable finance, particularly given its material green bond programs and climate financing initiatives.
- Additionally, given the issuer's exposure to multinational clients and renewable energy projects in the U.S., we explored the direct and indirect impact of potential tariffs on the bank's broader portfolio. Our objective was to ensure that external pressures would not materially weaken the operating environment and asset quality of Irish financial institutions, as well as issuer's sustainability strategy or its ability to execute on its long-term climate targets.

Highlights & Outcome

- The issuer has demonstrated strong climate leadership for achieving net zero operations in 2030 and setting a 2050 net zero target for financed emissions. In 2023, the bank increased its Climate Action Fund target from 10 billion to 30 billion and set the goal of 70% of new lending to be Green or Transition by 2030.
- The bank has made substantial investments in renewable energy projects, particularly in solar and wind, and is advising companies across Europe, the U.S., and the UK on renewable initiatives.
- Despite political uncertainty in the U.S., the bank expressed confidence in the resilience of its ESG strategy. Approximately 26% of green bond proceeds support U.S. renewable projects, and the bank views renewables as a durable asset class, emphasizing its conservative and disciplined investment approach.
- Energy efficiency in real estate financing is another key focus. The bank requires a minimum energy rating (B-) for all new residential and commercial properties it finances and sees green mortgages as an area of growing demand and competitive advantage. They plan to further their use of synthetic risk transfers (SRTs) to support climate lending growth while optimizing capital usage.
- The issuer's consistent progress and strong climate governance despite external risks was encouraging and the engagement reaffirmed our conviction in the name. However, due to valuation concerns unrelated to ESG considerations, we gradually divested the name post-quarter-end.

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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.

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