CASE STUDY

IG WEALTH MANAGEMENT

Sustainable Investing Case Study: Environmental Engagement

IG Wealth Management partners with leading global asset managers who share our commitment to **Sustainable Investing** because it helps reduce investment risk and enhance our clients' financial well-being over the long term.

Our asset managers are expected to engage with companies when they identify a material **Environmental, Social, Governance (ESG)** issue or company practice they believe may have an impact on the long-term sustainability of a company and ultimately, its investment performance.

Engagement is an effective strategy used to communicate with companies in order to influence, remedy, and improve their ESG business practices leading to real world benefits with measurable outcomes.

ASSET MANAGEMENT TEAM

JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

COMPANY ENGAGED

One of the largest independent crude oil and natural gas producers in the world. ("Company")

ESG ISSUE

Environmental –
Greenhouse gas emissions

SITUATION

Demand for natural gas, and its liquid equivalent liquified natural gas (LNG), is forecast to grow over the next decade as it continues to displace coal in power generation, supported by booming domestic demand in markets like China and the U.S.

A McKinsey & Company report stated, "Until 2035, gas will be the fastest-growing fossil fuel, with growth of 0.9% per year". McKinsey expects "LNG demand to increase 3.6% per year to 2035. Gas remains the fastest-growing fossil fuel and the only fossil fuel expected to grow beyond 2035."[1]

According to the United States Environmental Protection Agency (EPA), in 2017 carbon dioxide (CO_2) accounted for approximately 82% of all greenhouse gas emissions (GHG) from human activities in the U.S, while methane accounted for 10%[2].

Measuring and managing methane emissions throughout the natural gas value chain is critical to achieving both economic value and sustainable development.

Both carbon dioxide and methane are greenhouse gas byproducts which are emitted during production and transportation of natural gas. Yet, methane warms the planet by 86 times as much as CO_2, according to the Intergovernmental Panel on Climate Change (IPCC).

As renewable energy is in its infancy and the world remains heavily reliant on the oil and gas market, crucial steps must be taken to limit emissions and pollutants and enact best standards and practices to curb the environmental impacts. Measuring and managing methane emissions throughout the natural gas value chain is critical to achieving both economic value and sustainable development.

ACTION

Jarislowsky Fraser Global Investment Management (JFL) had meetings over several years with the Company, including meetings with a senior member of the Board of Directors, to discuss methane emissions.

The engagement was focused on understanding the Company's strategy to identify risks and opportunities, manage risks and develop solutions to methane emissions throughout their natural gas value chain. Given the scale and expertise of the Company, and their natural gas business, JFL believed there was both significant risk and opportunity for the Company with regards to its own value and the broader risk to the markets associated with climate change.

JFL encouraged increased disclosure, investment in measurement and capture of methane, participation in global standard setting initiatives and target setting with regards to methane and other climate-related metrics.

The Company significantly reduced GHG emissions intensity by 20% and annual methane emissions by more than 70% over the past 5 years.

OUTCOME

By constructively engaging with the Company, JFL was able to enhance its own understanding of the risks and opportunities, influence the Company's behaviour and deliver the message that large institutional investors view methane emissions and climate change as material issues, particularly for large energy companies.

As a result, the Company significantly reduced GHG emissions intensity by 20% and annual methane emissions by more than 70% over the past 5 years, well in excess of what has been required by the regulator. The emissions reductions have prevented the release of a million tons of GHG's from entering the atmosphere, an amount equivalent to removing more than 1.4 million cars from the road.

There has also been an increase by the Company in industry collaborative investment and engagement related to methane and other GHG emissions to identify and advance best practices. More recently, the Company has increased its disclosure and target-setting and set the ambitious target of net-zero emissions in its highest emitting operations.

Sources:

1. https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-gas-and-lng-outlook-to-2035
2. https://www.epa.gov/ghgemissions/overview-greenhouse-gases
3. https://methaneguidingprinciples.org/

ig.ca / in / f / / /