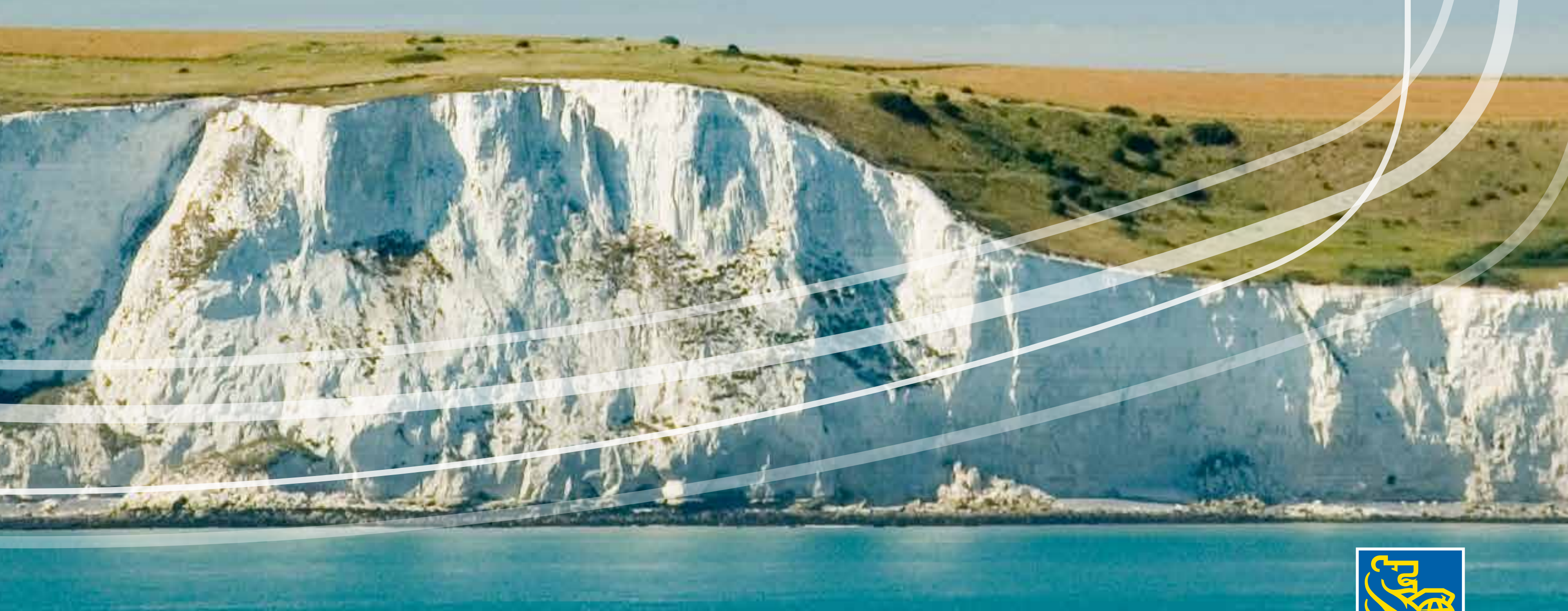
RBC Global Asset Management

Commitment to the UK Stewardship Code

RBC Global Asset Management | 2023



Our 2023 Annual Stewardship Report is currently under review by the Financial Reporting Council (FRC). RBC Global Asset Management is a signatory to the UK Stewardship Code 2020. RBC Global Asset Management's 2022 Stewardship Report met the expected standard of reporting of the FRC.

About this report

In this 2023 Commitment to the UK Stewardship Code (the Report), references to RBC Global Asset Management (RBC GAM), including “we”, “our”, and “the firm” includes the following affiliates: BlueBay Asset Management LLP (BBAM LLP), RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management (UK) Limited (RBC GAM-UK), and RBC Global Asset Management (Asia) Limited (RBC GAM Asia), which are separate, but affiliated subsidiaries of Royal Bank of Canada (RBC). On April 1st 2023, RBC GAM consolidated the majority of investment activities of the two regulated legal entities in the United Kingdom (UK), RBC GAM-UK and BBAM LLP, into RBC GAM-UK. Specifically, the majority of BBAM LLP’s fixed income assets were consolidated into RBC GAM-UK. BBAM LLP retains the Collateralized Loan Obligation (CLO) assets where BBAM LLP is the manager.

References in this Report to the BlueBay Fixed Income team include our fixed income teams at RBC GAM-UK and RBC GAM-US. RBC BlueBay is a brand name used to represent RBC GAM outside of North America. References to RBC BlueBay include fixed income and equity teams at RBC GAM-UK and RBC Global Asset Management (Asia) Limited. Principle 2 provides more information on the governance structure of RBC GAM and its affiliates. References in this Report to RBC refer to the Royal Bank of Canada and its subsidiaries.

In this Report, references to our investment approach, applicable types of investments, and applicable assets under management (AUM) exclude certain investment strategies, asset classes, exposure or security types that do not integrate environmental, social and governance (ESG) factors. Examples of what would not integrate ESG factors include, but are not limited to money market, buy-and-maintain, passive and certain third-party sub-advised strategies or certain currency or derivative instruments. In most, if not all of these instances, there is no engagement with issuers by RBC GAM. This document discusses our investments that integrate ESG factors.

In some instances, strategies, policies and risk management processes may differ for RBC GAM affiliates.

Reporting period

All data and examples in this Report reflect activities undertaken during the 2023 calendar year (January 1, 2023 – December 31, 2023), unless otherwise noted.

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Introductory message

RBC Global Asset Management (RBC GAM) was pleased to have met the expectations of the Financial Reporting Council and to have been named a signatory to the UK Stewardship Code for our 2022 report. The UK Stewardship Code aims to promote the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment, and society.

As part of our commitment to the UK Stewardship Code, we have submitted the enclosed RBC GAM 2023 Commitment to the UK Stewardship Code. In order to continue to improve upon our reporting, the enclosed Report incorporates several updates to our 2022 Commitment to the UK Stewardship Code. The enclosed Report includes:

- Updates to ESG integration, escalation, and engagement case studies from our 2022 Commitment to the UK Stewardship Code (Principles 7, 9, 11, and 12)
- Information on integration and stewardship approaches, and/or applicable case studies for additional investment teams (Principles 7 and 9)
- Updates to our Responsible Investment (RI) policies, including the RBC GAM Proxy Voting Guidelines (Principles 4 and 5)
- Clarifying information on the updated structure of our RI team (Principle 2)

This Report has been reviewed and approved in its entirety by the RBC GAM Leadership Committee, which includes the Head of the RI team, the Chief Investment Officer (CIO), and the Chief Executive Officer (CEO).

Daniel E. Chornous, CFA
Chief Investment Officer, RBC Global Asset Management

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Our purpose

RBC GAM provides a comprehensive range of investment solutions for investors around the world. Our purpose – delivering our clients exceptional investment outcomes and valued insights – inspires everything we do and drives us to:

- put our clients' interests first;
- foster a strong culture of collaboration and diversity and inclusion;
- offer extensive global capabilities and a diversified breadth of investment solutions;
- act as an active, engaged and responsible investor by integrating material ESG factors across applicable types of investments; and
- embrace innovation and harness the combined power of human and machine.

We believe that these values will help us be a fast-moving, technology-enabled global asset manager. In the next 3-5 years, we aim to extend our position in Canada, while continuing to grow in the United States (U.S.), Europe, and Asia Pacific (APAC) regions, and continuing to build an operational and cultural foundation for success. At the same time, we know that how we do business is as important as what we do. The culture at RBC GAM centers on diversity and inclusion, collaboration, and innovation. Diverse viewpoints and backgrounds enable better investment decisions and are actively sought out and encouraged. Meanwhile, fostering a learning environment to grow together, and encouraging and challenging each other, has helped RBC GAM build a strong, resilient business. We believe that our success as a company is defined by the long-term well-being of the people we serve, and the communities where we operate.

Our approach to investment management

Personally invested	We believe that managing peoples' wealth is a privilege. RBC GAM investment professionals may invest their own money in the funds we manage, so that RBC GAM's success is also our clients' success. A few of the ways RBC GAM's interests are aligned with clients' include: ▪ Our investment teams' compensation is aligned with investors' interests and commensurate with the long-term risk-adjusted returns of the funds they manage ▪ Employees may invest their employer retirement benefits in RBC GAM funds, in accordance with applicable laws and regulations ▪ All employees' compensation is linked to the performance of the firm (RBC GAM) as a whole, in addition to individual performance
Global expertise & innovation	Over the last seven decades, we have globalized our investment platform, broadened our reach across different asset classes, and deepened our capabilities within each of them. With more than 387 investment professionals across seven offices in Canada, the U.S., Europe and Asia, our investment teams are committed to: ▪ pursuing deep fundamental knowledge; ▪ fostering a collaborative culture; ▪ embracing innovation in a world of rapidly changing financial markets and investment options; and ▪ integrating enhanced investment and risk management tools, including ESG where applicable, to promote consistency and efficiency, and to minimize the impact of behavioural bias. We believe that a combination of human and machine is more powerful than either on its own. Integrating advanced investment and risk management tools allows us to extend our field of analysis, reinforces discipline, limits behavioural finance challenges, and bolsters results – ultimately leading to better decisions and more efficient portfolios.
Responsibly invested	We believe that being an active, engaged and responsible investor empowers us to enhance the long-term, risk-adjusted performance of our portfolios and is consistent with our fiduciary duty. We take specific actions under each of the pillars of Our Approach to Responsible Investment; we seek to maximize investment returns for our clients without undue risk of loss within the limits described in each investment mandate.

More information on RBC GAM's purpose, culture, and approach to investment management is available at www.rbcgam.com.

Our approach to RI

At RBC GAM, RI is incorporated in our values, in our approach to investment management, and in our strategic objectives. Our Approach to Responsible Investment is anchored by the knowledge that our clients have entrusted us to help them secure a better financial future for themselves or for the beneficiaries of the funds they manage. As stewards of our clients' assets, we are committed to ensuring that the issuers in which we invest act in alignment with the long-term interests of our clients.

At RBC GAM, we believe that:

- Being an active, engaged, and responsible investor empowers us to enhance the long-term, risk-adjusted performance of our portfolios and is consistent with our fiduciary duty.
- Issuers that manage their material ESG risks and opportunities effectively are more likely to outperform on a risk-adjusted basis, over the long term.
- Engagement through direct dialogue is often effective at facilitating change.
- Initiatives that increase transparency and foster fair and efficient markets benefit investors and clients globally.
- Collaboration with like-minded investors may give us greater influence on issues that are material to our investments.

Our Approach to Responsible Investment is comprised of three pillars that act on these beliefs. The specific actions we take under each pillar seeks to maximize investment returns for our clients without undue risk of loss within the limits described in each investment mandate.

ESG integration

Our investment teams integrate material ESG factors into their investment decisions for applicable types of investments.

Active stewardship

We convey our views through thoughtful proxy voting, and engagement with issuers for applicable types of investments. We also engage with regulatory bodies on material ESG issues and collaborate with other like-minded investors, where applicable.

Client-driven solutions and reporting

We align our solutions with client demand and provide transparent and meaningful reporting.

ESG integration means that investment teams consider material ESG factors when making investment-related decisions within the portfolios that they manage, for applicable types of investments. Our ESG integration approach is investment-led. This means we integrate material ESG factors with an aim to identify potential risks and opportunities and improve long-term, risk-adjusted returns. Our approach focuses on materiality and aims for continuous improvement and innovation. Each year, we document the ESG integration tools and processes used by investment teams and evaluate their alignment with RBC GAM's overall beliefs and strategy. As part of this process, areas for improvement may be identified in order to enhance teams' ESG integration approaches, as required. We believe this review and continuous improvement enables effective stewardship, and ultimately adds value to our portfolios and clients. See Principle 7 for more on ESG integration.

Active stewardship means that we convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, where applicable, and collaboration with other like-minded investors. As stewards of our clients' assets, we are committed to ensuring that the issuers in which we invest act in alignment with the long-term interests of our clients. We engage on topics deemed material for the specific investments or portfolios, including ESG issues such as board structure, executive compensation, diversity and inclusion, and climate change, where applicable. Finally, we use engagement to further understand how issuers are addressing their material ESG risks and opportunities. We also conduct our proxy voting independently, in accordance with the RBC GAM Proxy Voting Guidelines (Proxy Voting Guidelines), which clarify the principles we support and how we vote on particular ESG issues in accordance with the best interests of our portfolios and clients. Results from our proxy voting and engagement activities are regularly shared with clients, and our Proxy Voting Guidelines are updated on an annual basis to help ensure that we continue to be effective in our stewardship. See Principles 4, 9, 10, 11, and 12 for more on active stewardship, including proxy voting, engagement, escalation, and collaborative engagement.

Client-driven solutions and reporting means that we align our solutions with client demand and provide transparent and meaningful reporting. Transparency and accountability are key to maintaining meaningful relationships with our clients and delivering on our fiduciary duty. Therefore, we tailor our reporting to clients based on what is most meaningful, across asset classes and regions. As our clients' needs evolve, we are continuously improving our reporting and product solutions to meet those needs. For example, in 2023, we devoted significant resources to the continued development of ESG-related reporting required by regional regulations. This includes required reporting under the European Union's Sustainable Finance Disclosure Regulation (SFDR)[1] and the UK Financial Conduct Authority ESG Sourcebook.[2] By setting out how financial market participants have to disclose sustainability information, these regulations aim to help those investors who seek to put their money into companies and projects supporting sustainability objectives make informed choices.

Building on the efforts described in our 2022 Commitment to the UK Stewardship Code, these reporting requirements required continued enhancements to our data infrastructure. We continue to believe our efforts will enhance client reporting beyond the scope of these regulatory requirements. See Principles 5 and 6 for more on our RI policies and reports, and Principle 4 for more on our climate-related activities.

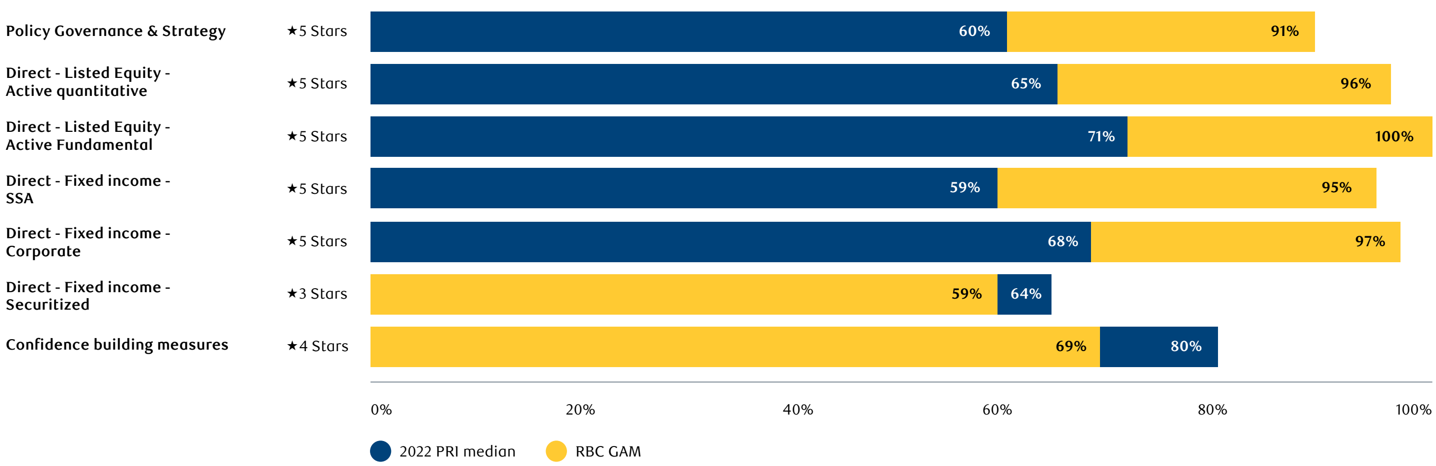
[1] Sustainability-related disclosure in the financial services sector - European Commission (europa.eu)
[2] PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers | FCA

Measuring success

RBC GAM's purpose is to deliver exceptional investment outcomes and valued insights to our clients. We measure our performance against the specific investment goals of our clients and the investment mandates that we manage on their behalf including related benchmarks, where applicable. We also track client satisfaction to assess that we are effective in serving our clients' best interests.

RI is a strategic priority and is integrated into our investment approach. Continuous improvement and innovation are significant to how we do business, and as a signatory to the United Nations Principles of Responsible Investment (UN PRI), we submit and publish a Transparency Report. The UN PRI assesses all signatories' alignment with the PRI's six principles. The UN PRI evaluates signatories' approaches to the principles, and each of our assessed modules in the 2023 Assessment Report received scores of three or more stars, with five of seven assessed modules receiving five stars.[3] Each assessed module is assigned a numerical score ranging from 0-100 and a corresponding star rating, ranging from one (low) to five (high) stars.

2023 PRI Assessment – Summary Scorecard



[3] The group to calculate module medians includes all UN PRI signatories who submitted and were eligible to report on the module. As part of the paid annual membership services, the UN PRI evaluates signatories' approaches to the Principles based on its assessment methodology. Once the responses are assessed, all indicator scores are aggregated and modules are assigned a numerical score, converted from a points-based system ranging from 0 to 100. Our firm's full transparency report as one of over 2,000 signatories can be found here: RBC GAM PRI Transparency Report. Our firm's full private Assessment Report from the UN PRI is available upon request.

Principle 2

Signatories' governance, resources and incentives support stewardship.

Our governance structure

RBC GAM is a global asset manager, comprised of the following regional affiliated entities: RBC GAM Inc., RBC GAM-US, RBC GAM-UK, BBAM LLP[4] and RBC Global Asset Management (Asia) Limited.

Each RBC GAM affiliate maintains investment, legal, and client service expertise that pertains directly to its respective markets. The affiliates follow all applicable regulations for the markets in which they operate, and each has its own Board of Directors to oversee operations and strategy within the region. This structure enables RBC GAM to maintain its global presence with on-the-ground professionals who are highly skilled in markets that are important to RBC GAM and our clients. The RBC GAM affiliates follow the strategies, policies, and risk management processes established for RBC GAM unless stated otherwise.

Specific roles with global responsibilities include:

- The CEO of RBC GAM oversees the performance of all RBC GAM affiliates. The CEOs of all affiliates, the CIO, and the Chief Operating Officer (COO) report to the RBC GAM CEO.
- The CIO of RBC GAM oversees the investment strategies, policies, and performance across all affiliates. The heads of all investment teams and the RI team report to the RBC GAM CIO.
- The COO of RBC GAM oversees all operational strategies, policies, risks, and initiatives across all affiliates.
- Global Compliance oversees all global reporting and publications to help ensure alignment with regulatory requirements and global RBC GAM strategy and priorities.
- The Head of RI is responsible for all RI strategies and initiatives across RBC GAM, and for the implementation of these strategies by RBC GAM's centralized RI team.
- The heads of global investment teams are responsible for all investment strategies and initiatives across RBC GAM.

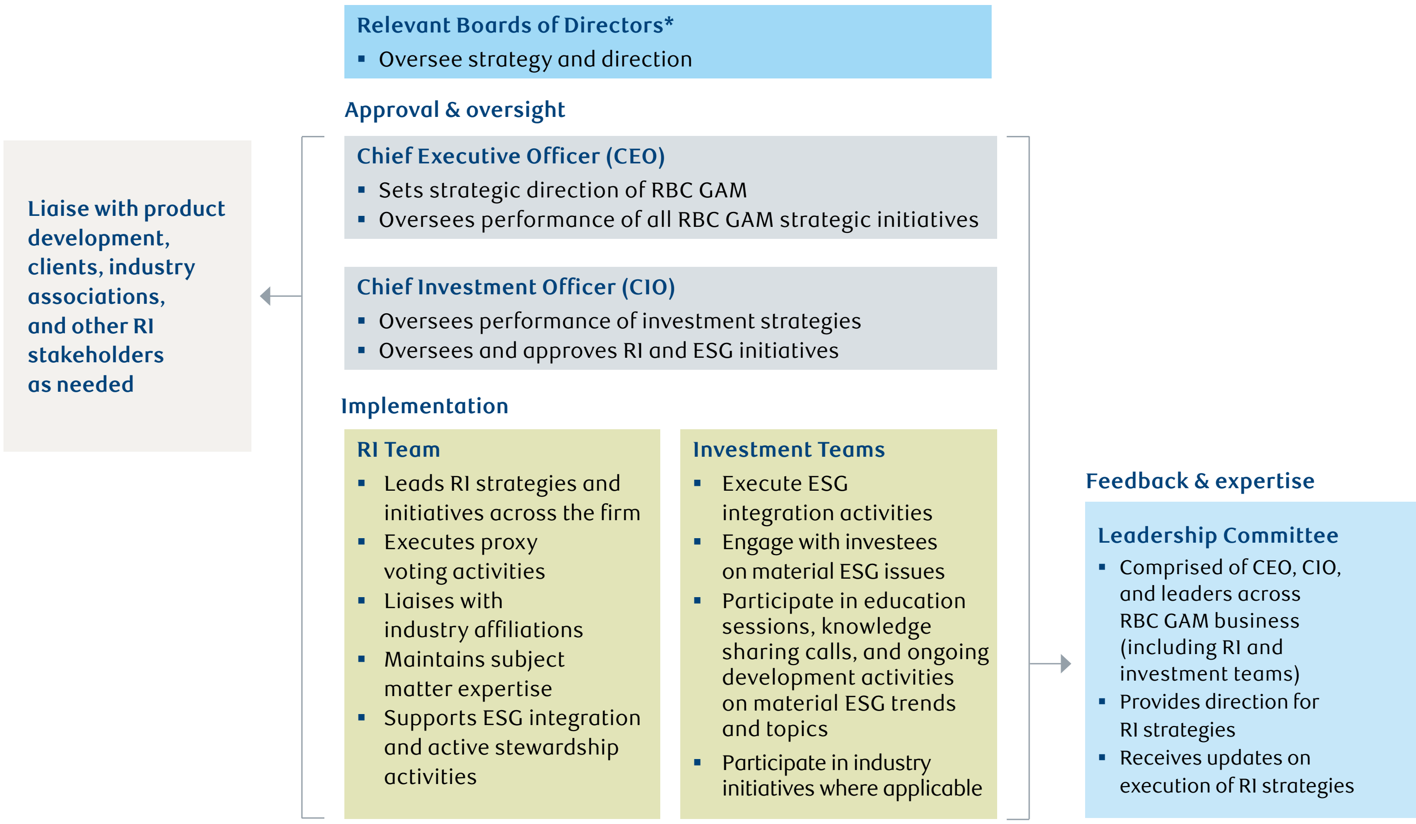
RBC GAM also has an established Leadership Committee, whose mandate is to primarily focus on strategic matters that either significantly affect multiple businesses of RBC GAM and/or matters that may be material to RBC GAM's overall business success. The RBC GAM Leadership Committee has oversight and governance accountabilities. Membership includes the CEO, the CIO, and leaders across the RI team and the fixed income and equities investment teams, among others. This total firm-level oversight and integration helps ensure that all of RBC GAM's businesses have the same vision, values, and culture, and are advancing the same strategic priorities.

[4] As of April 1, 2023, BBAM LLP consolidated the majority of its fixed income assets into RBC GAM-UK.

Governance of RI at RBC GAM

Our Approach to Responsible Investment is the formal policy document that governs the firm's RI and stewardship activities. Changes to this policy are reviewed by the RBC GAM Leadership Committee and ultimately approved by the CIO.

The policy applies firm-wide, and the governance structure of the specific activities encompassed by the policy is summarized in the following chart.



*RBC GAM Inc., RBC GAM-UK, RBC GAM-US, RBC Global Asset Management (Asia) Limited, and BBAM LLP.

Our CIO, CEO, and relevant Boards of Directors oversee the performance of firm-wide strategic initiatives, including RI, on a quarterly and annual basis. Responsibility for strategic initiatives is delegated to the appropriate executives, whose direct annual compensation includes an assessment of performance on those initiatives. The RBC GAM Leadership Committee has identified the continued enhancement of ESG integration into the investment teams' processes as a strategic objective for the firm.

Our RI and investment teams are responsible for the implementation of our Approach to Responsible Investment. As such, our RI team members' individual compensation is directly related to RBC GAM's RI and stewardship activities. Our investment teams are regularly evaluated on their teams' ESG integration processes, including as one component of their annual variable compensation.

Specific executive management oversight responsibilities include:

- The CEO sets the strategic direction of RBC GAM and oversees the firm's performance of all strategic initiatives and Approach to Responsible Investment. The CIO and the COO report to the RBC GAM CEO.
- The CIO oversees the investment strategies, policies, and performance across all affiliates. The heads of all investment teams and the RI team report to the CIO.
- The COO oversees all operational strategies, policies, risks, and initiatives across all affiliates.
- The Head of RI is responsible for all RI activities across RBC GAM, and for the implementation of these strategies by RBC GAM's centralized RI team.
- The heads of global investment teams are responsible for the establishment and implementation of ESG integration processes for applicable strategies.

- The heads of the institutional and retail businesses oversee product development, with review by a Product Committee and oversight by the CIO and CEO. Review and input on new products is provided by the COO, the Head of RI, and members of the Investment Risk, Investment Policy, Compliance, and Legal teams.[5]

This governance structure was chosen to help ensure that the level of oversight of RI and stewardship is commensurate with its importance to RBC GAM's overall business strategy. The combination of executive oversight and responsibility over these initiatives helps ensure that RI and stewardship is effectively executed and continuously improves.

Responsible Investment (RI) team

The RI team is comprised of 17 dedicated full-time employees who sit within the investment platform. RI team members have a mix of investment, ESG, risk management, data engineering, and legal expertise. Team members' individual compensation is directly related to RBC GAM's RI and stewardship activities.

As described in our 2022 Commitment to the UK Code, in 2023, we consolidated the activities of our two regulated legal entities in the United Kingdom (UK), RBC GAM-UK and BBAM LLP into RBC GAM-UK. We believe the scale achieved as a result of the business consolidation will help support our objectives and deliver a positive client experience. Our legacy Corporate Governance & Responsible Investment and BlueBay ESG teams have worked together for a number of years, helping to ensure consistency in our RI policies. As part of our efforts to optimize our business operations, and to further our progress toward our target operating model, we have merged the teams to create one global RI team. This has enabled us to share expertise across platforms, help ensure that we are effectively meeting our evolving regulatory requirements in this space, and efficiently provide our clients with comprehensive ESG information and reporting.

The Head of RI reports directly to the CIO and sits on a number of executive committees, including the RBC GAM Leadership Committee and the RBC Climate Steering Committee, which leads RBC's climate strategy and its execution across key businesses and functions.

As a centralized function, the RI team's primary responsibility is to lead RI activities and stewardship across the firm. This includes:

- Developing cohesive RI strategies and policies for Leadership Committee approval, including Our Approach to Responsible Investment, Our Approach to Climate Change, and Our Net-Zero Ambition.
- Supporting ESG integration by providing investment teams with ESG-related research and education, maintaining vendor relationships, and updating teams on new tools, evolving trends, and best practices related to ESG integration. The RI team also reviews ESG integration processes across investment teams and supports the continuous improvement of practices and technology (Principle 7).
- Executing and managing RBC GAM's proxy voting activities, including voting proxies and leading the annual review and update of the Proxy Voting Guidelines. RBC GAM generally votes in the same way across all internally managed funds, in accordance with the Proxy Voting Guidelines.[6] This function is centralized in order to facilitate a consistent approach and analysis, as we believe that the principles we apply in proxy voting are in the best interests of clients and unitholders invested in the portfolio issuers, with a view to enhancing their long-term value.
- The RI team reviews each vote individually and seeks input from investment teams on specific issues so that voting reflects the best interests of our clients in both systemic and issuer-specific matters (Principles 8 and 12).
- Participating in and leading collaborative initiatives on ESG-related issues with like-minded investors and national or international organizations/coalitions, where appropriate. The RI team also supports and participates in direct and collaborative engagements by liaising with investee companies and investment teams, where appropriate (Principles 4, 9, and 10).
- Maintaining expertise on emerging ESG trends and material ESG issues, and preparing client reporting and thought leadership pieces related to RBC GAM's RI activities and insights (Principle 5).

[5] The product development and approval process at RBC BlueBay, which covers products distributed in Europe, the Middle East, and Africa (EMEA), and APAC, is governed by the EMEA/APAC Product Committee. Members of the committee includes the RBC BlueBay CEO, Chief of staff, CFO, COO, General Counsel, Head of Business Development, Head of Product Development, Conducting Officer for Distribution of the Luxembourg Management Company and the Chief Risk Officer. The GAM CIO and Chief Financial Officer also have oversight of any products approved by the EMEA/APAC Product Committee.
[6] The RBC GAM Proxy Voting Guidelines are applied in Canada, the United States, the United Kingdom, Ireland, Australia and New Zealand. In all other markets, RBC GAM uses the local proxy voting guidelines of our research provider.

- As part of the RI team's continued efforts to expand internal subject matter expertise on material ESG topics, the RI team publishes and develops ESG guidance, research, and tools for investment teams. Research topics in 2023 focused on climate-related topics including: building a net-zero portfolio, climate factor analysis, nature and biodiversity-related risks, and approaches for sovereign and sub-sovereign carbon emissions analysis. The RI team also continued to host its ESG Education Series. In 2023, we held one ESG Education Series session, focused on the governance theme of detecting financial statement manipulation. In addition, the RI team launched quarterly touchpoints with investment teams in 2023. Although the RI and investment teams have ongoing communications, the touchpoints provide a dedicated time for the RI team to engage directly with investment teams on ESG integration, stewardship, trends, and other topical issues. The RI team also distributes an internal monthly newsletter highlighting key developments in the areas of RI and active stewardship. The newsletter is distributed to all employees across RBC GAM.

Investment teams

RBC GAM's investment teams are active across capital markets and asset classes and manage both traditional and innovative investment strategies. Across our global investment teams, there are over 150 portfolio managers with an average of 21 years of industry experience, supported by over 90 analysts with an average of 14 years of industry experience. Of these, 50% are Chartered Financial Analysts (CFAs), in addition to those that are working towards their CFA designation.[7]

RBC GAM investment teams have an ESG Champion that acts as their lead on ESG-related issues and the main point of contact with the RI team. Investment team members and the RI team regularly meet through periodic knowledge-sharing calls and quarterly touchpoints to share knowledge and practices, discuss ESG trends, and identify opportunities for improvement and enhancement.

Topics discussed at these periodic meetings in 2023 included nature-related risks and opportunities, water as an investment issue, ESG sentiment in the market, and evolving corporate ESG-related disclosure frameworks.

In addition, some investment team members may pursue additional education related to ESG. For example, numerous investment team members have successfully obtained the ESG Investing Certificate from the CFA Institute.

Since investment teams directly buy, sell, and manage investments on behalf of our clients, they are best equipped to integrate ESG and stewardship considerations into their investment approach. We believe this helps to ensure that stewardship activities add value to and complement the investment approaches of the respective teams. Portfolio managers and analysts are regularly evaluated on their teams' integration processes, which is considered as part of their annual variable compensation.

Specific RI responsibilities of investment teams include:

- Integrating ESG factors into their investment processes, where applicable, in a way they believe adds value to their approaches, including evaluating the material ESG risks and opportunities embedded within each applicable investment, integrating internal ESG and climate risk data into their investment processes, where applicable, and working to build their knowledge of material ESG issues.
- Engaging with investee issuers on material ESG issues, where applicable, and tracking the frequency and outcomes of these engagements on a best-efforts basis.
- Where appropriate, assisting with client reporting on RI activities, including updates to their ESG integration processes, engagement case studies, and team insights on emerging ESG topics and trends within their specific investment universes.
- Participating in industry initiatives, where applicable.

Other resources

RBC GAM has also engaged a number of external research firms to provide specialized ESG research that we use in conjunction with other forms of analysis to assist in our stewardship and other ESG initiatives. This research includes ESG risks and opportunities relevant to specific issues, country- and industry-specific information, and broad-based thematic data relevant to general ESG themes.

The providers we use for ESG-related tools and research include[8]:

- MSCI ESG
- Sustainalytics
- Institutional Shareholder Services (ISS)
- Glass, Lewis & Co.
- CDP
- Bloomberg
- RepRisk
- Verisk Maplecroft
- Eurasia Group
- Nasdaq
- Upright Project
- Impact Cubed

[7] As at Dec 31, 2023.
[8] In some cases, subscriptions might be specific to investment teams or RBC GAM affiliates, based on the applicability of the vendors' research.

Our investment teams may use ESG research providers' reports to assist in their proprietary research of companies when making investment decisions and/or prior to engagement, to better understand the industry landscape and individual issuer activities. Some teams also integrate ESG data from our vendors directly into their investment processes. For more information on investment teams' ESG integration practices, please see Principle 7.

RBC GAM also subscribes to the proxy voting research of both ISS and Glass, Lewis & Co. The research and benchmark policy voting recommendations from both proxy advisors may be considered as part of individual proxy voting decisions, though the final voting decision is independent and voting authority rests solely with RBC GAM. Once RBC GAM makes its voting decisions based on the Proxy Voting Guidelines and case-specific analysis, we retain the services of ISS to execute our proxy votes. In 2023, we began transitioning BlueBay fixed income investment platform portfolios onto ISS' voting platform, ProxyExchange. As a result, in 2023, BlueBay fixed income investment platform portfolios leveraged both ISS' ProxyExchange and Broadridge's ProxyEdge platform for vote execution.

For more information on how we manage and monitor our external service providers, please see Principle 8. For more information on our proxy voting process and results, please see Principle 12.

Improving our governance processes

We have established an effective governance structure and processes to support our stewardship activities. Our integrated approach of senior leadership involvement in our firm-wide RI goals creates a culture supportive of and accountable for our stewardship efforts. We believe that we have the most effective governance structure in place for the firm. However, we are always exploring ways to improve our systems and processes.

For instance, regional leadership teams across RBC GAM have worked closely together to build a unified RBC GAM business. In 2023, our senior leadership team continued to focus on developing a greater level of operational integration between RBC GAM and the BlueBay fixed income investment platform to help further our purpose of delivering our clients exceptional investment outcomes and valued insights.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Our conflicts of interest policies

As investment managers, we have a fiduciary duty to act in the best interests of our clients. As stewards of our clients' assets, it is important that we put clients' interests first and that all clients and unitholders are treated fairly, helping to ensure that no client or group of clients is given preferential treatment. This applies to all aspects of our operations and investment management, including our stewardship activities like proxy voting and engagement.

We apply robust policies and procedures to prevent and/or appropriately manage conflicts of interest. Our conflicts of interest policies establish the standards that must be followed by RBC GAM employees to help ensure compliance with all applicable securities laws and regulations of the jurisdictions in which we operate. Our policies include:

- **RBC Code of Conduct:** The RBC Code of Conduct is an enterprise-wide policy which states that decisions made by employees must be objective and put clients' interests above personal interests and sets out general provisions related to conflicts of interest.
- **RBC Enterprise Conflicts of Interest Policy and associated Control Standards:** These enterprise-wide policies encompass more specific conflicts of interests that may arise from RBC's business activities. These include the RBC Conflicts of Interest Control Standards for Outside Business Activities and External Directorships, RBC Conflicts of Interest Control Standards for Gifts and Entertainment, RBC Conflicts of Interest Control Standards for Personal Trading, and the RBC Conflicts of Interest Control Standards on Inside Information and Information Barriers, among others.
- **RBC GAM Conflicts of Interest Policies:** Each of RBC GAM's regional affiliates maintains a Conflicts of Interest Policy, which covers both firm-wide expectations, as well as specific regulatory requirements for each operating unit. These policies address the regulatory requirements the affiliates must meet with respect to (a) identifying the material conflicts of interest that they and their employees may face, (b) either eliminating or satisfactorily addressing them in the best interest of clients, and (c) appropriately disclosing them to clients.
- **Other RBC GAM policies:** RBC GAM maintains a number of operational policies that include more specific conflicts of interests that may arise from RBC GAM's business activities. These include RBC GAM's policies related to proxy voting, shareholder activism, personal trading, trading, valuation, and securities lending, among others.

RBC GAM does not publish its compliance policies publicly but will disclose a summary of its conflicts of interest policies and practices to institutional clients, upon request, in accordance with the securities laws and regulations in the jurisdictions in which it operates. Individual investors in RBC GAM products may receive disclosure on relevant policies to address conflicts of interests in accordance with securities laws and regulations in the applicable jurisdictions. For example, unitholders in RBC GAM Inc. prospectus-qualified mutual funds receive disclosure in the funds' prospectus on RBC GAM Inc. policies to address conflicts of interests in its role as an investment fund manager. Conflict of interest matters for RBC GAM Inc.'s prospectus-qualified mutual funds are overseen by an Independent Review Committee (IRC) that publishes an annual report to unitholders. The IRC addresses potential conflicts of interest that can arise between the manager and the unitholders of the fund. Members are independent of RBC GAM Inc.

Scope of policies

Our conflicts of interest policies recognize that a conflict of interest may exist between RBC GAM, its employees, and/or its clients whenever:

- the interests of RBC GAM or an employee are inconsistent with or diverge from the interests of a client (including funds) or the unitholders of an RBC GAM managed fund;
- RBC GAM or an employee is influenced to put their interests ahead of those of its clients; or
- benefits (monetary or non-monetary), or detriments, RBC GAM could receive, or be subjected to, might compromise a reasonable client's trust.

Our policies aim to cover all potential conflicts that may arise, including conflicts relating to the bank-owned structure of RBC GAM, personal trading, payments, gifts and entertainment, and external directorships/outside activities. They also address potential conflicts of interest that may arise in our stewardship activities, including proxy voting and engagement.

We consider conflicts of interest to include actual conflicts, potential conflicts where there is a reasonable probability that an actual conflict will arise, and perceived conflicts where the perceived conflict could cause reputational damage to RBC GAM.

RBC GAM's policies require the firm to:

- establish appropriate controls and processes to identify conflicts of interest and either eliminate or satisfactorily manage them;
- train employees on conflicts of interest and provide support in conflicts of interest identification; and
- maintain records of identified conflicts of interest.

Managing potential and actual conflicts

RBC GAM and its registered employees have an ongoing responsibility to identify all conflicts that are reasonably expected to affect a client's decisions and/or RBC GAM's or its employees' recommendations or decisions.

For example, as part of our conflicts of interest policies, RBC GAM Inc. maintains a register of all conflicts of interest. This register is comprised of descriptions of each of the potential and actual conflicts that the firm has identified, the applicable policies governing each conflict, and the procedures and controls for mitigating them.

All RBC GAM employees are required to comply with the conflicts of interest policies that apply to the firm and their respective RBC GAM affiliate(s). All employees undergo regular training on these policies. Training begins the week employees first join the company as part of the onboarding process and continues at least annually thereafter. Several policies require quarterly or more frequent employee action to help ensure that conflicts have not occurred, are properly disclosed and managed, and/or are being addressed by the appropriate oversight body if a conflict is newly identified.

Addressing newly identified conflicts

If an actual or potential conflict of interest arises that is not yet covered in the conflicts of interest register, it must be escalated, and all related activities in connection with the potential conflict must halt until the conflict is addressed.

The process for addressing newly identified conflicts is as follows:

1. The issue is escalated to the RBC GAM Conflicts of Interest Governance Committee or equivalent affiliate committee to determine whether the conflict is material and how the conflict shall be addressed and disclosed. These committees are comprised of senior executives from across RBC GAM, including the Chief Compliance Officer (CCO), COO, and representatives from the CIO's office and Law Group, among others.
2. If the conflict is found to be material, the appropriate affiliate Compliance group updates the conflicts register to include the newly identified conflict and the policies and procedures to be adhered to should the conflict arise again.
3. The appropriate affiliate Law group updates regulatory disclosures to incorporate the newly identified conflict, where appropriate.
4. No further activities are conducted in connection with the potential conflict until the RBC GAM Conflicts of Interest Committee has made its determination of materiality and steps for managing and addressing the conflict and has communicated

RBC GAM also has regional, independent committees that oversee retail mutual funds. For example, the IRC manages specific conflicts that may arise between prospectus-qualified mutual funds in Canada and RBC GAM Inc. as the fund manager or any entities related to RBC GAM Inc. This includes related-party trading policies and the firm's Personal Trading Policy. IRC members are independent of RBC GAM Inc.

Examples of actual and potential conflicts

The following case studies provide examples of actual and potential conflicts related to our stewardship activities. They also summarize the policies and procedures we use to address those conflicts when they arise.

Proxy voting

Our conflicts of interest policies prohibit any undue influence being exerted on our proxy voting activities from RBC or any other issuer that might have a relationship with RBC or any of its affiliates. The objective of these policies is to avoid any actual or potential conflict of interest. Potential conflicts of interest related to our proxy voting activities are reduced, as these activities are centralized within the RI team, which administers and oversees all proxy voting in accordance with applicable proxy voting policies, and the Proxy Voting Guidelines.[9]

RBC GAM also has a Proxy Voting Committee, which includes the CIO. The following issues are escalated by the RI team to the Proxy Voting Committee:

- Instances where RBC GAM believes it is in the best interests of a client or fund to deviate from the voting recommendation made by our service provider based on the Proxy Voting Guidelines, or local benchmark voting guidelines of our provider, where applicable. This may occur in situations where we believe the Proxy Voting Guidelines have been misinterpreted or misapplied, or where the unique circumstances of the issuer warrant a different approach.
- Instances where our proxy voting activity may give rise to an actual, potential, or perceived conflict of interest.
- Unusual circumstances regarding ballot items. For example, there may be cases where two investment teams voting at the same portfolio issuer's meeting wish to vote differently.

  We generally vote the same across internally managed strategies, as we believe the principles we apply in proxy voting are in the best interests of clients and unitholders invested in the portfolio issuers, with a view to enhancing long-term value of the portfolios. However, in the event of unusual circumstances or a difference of opinion between individual investment teams on how to vote on a particular proxy, the matter is escalated to the Proxy Voting Committee.

Proxy voting decisions are made by the Proxy Voting Committee based on a review of the voting matter with relevant investment teams and the RI team. The CIO retains ultimate voting decision authority.

If any member of the Proxy Voting Committee is aware of a possible conflict of interest related to themselves and the exercise of the proxy voting rights, that member will be recused from any discussions or decision-making concerning that proxy voting matter. In the rare event that all members of the Proxy Voting Committee are affected by a conflict of interest, the CIO will make all decisions concerning the exercise of proxy voting rights in the best interests of our clients. The CIO is ultimately responsible to the CEO for the manner in which the proxy voting rights are exercised.

The following are examples of specific conflicts of interests related to proxy voting that may arise:

Conflict name	Description	Conflict type
Fair treatment in proxy voting	**Context** RBC GAM must vote proxies in its role as a fiduciary with an obligation to act in the best interests of all funds and clients. RBC GAM may have a conflict between its interests in retaining clients and earning fees and the interests of its clients to be treated fairly if RBC GAM is asked to vote proxies on the basis of any factors that conflict with its fiduciary duty. This could occur if a client is also an issuer and attempts to influence RBC GAM to vote a particular way on a proposal that is contrary to the Proxy Voting Guidelines. **Mitigating policies & procedures** Proxy voting procedures are implemented by the RI team in consultation with portfolio managers and analysts in line with the Proxy Voting Guidelines. The RI team, as well as select members of our Operations teams, are the only teams with access to RBC GAM's proxy voting platform. The Proxy Voting Committee reviews the Proxy Voting Guidelines, as well as any exceptional votes not covered by, or that deviate from, the Proxy Voting Guidelines. The CIO sits on the Proxy Voting Committee and is responsible for oversight of proxy voting at RBC GAM, and approval of the Proxy Voting Guidelines. If any member of the RI team or the Proxy Voting Committee is aware of a possible conflict of interest related to themselves and the exercise of the proxy voting rights, that member will recuse themselves from any discussions or decision-making concerning that proxy voting matter. In the rare event that all members of the Proxy Voting Committee have a conflict of interest, the CIO will make all decisions concerning the exercise of proxy voting rights in the best interests of our clients. The CIO is ultimately responsible to the CEO for the manner in which the proxy voting rights are exercised.	**Potential**

[9] In some cases, RBC GAM affiliates, or a subset of RBC GAM products, may require proxy voting policies based on regional and regulatory requirements.

Conflict name	Description	Conflict type
Voting parent company shares	**Context** RBC GAM is the asset management division of RBC. RBC is a prominent issuer in Canada, and several RBC GAM funds may invest in RBC securities. A potential conflict of interest arises between the interests of these funds and the interests of RBC GAM or its employees when exercising annual proxy voting rights. **Mitigating policies & procedures** RBC GAM has instituted procedures to help ensure that RBC proxies are voted in accordance with the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the funds that hold these securities, and free from any influence by RBC or any other issuer. Specifically, proxy voting for RBC securities held in RBC GAM Inc. prospectus-qualified funds in Canada are escalated to the Indepedent Review Committee (IRC) for its review and recommendation. The IRC must consider the best interests of the unitholders of the funds without regard for the interests of RBC, RBC GAM, any individual portfolio manager, or any party related to any of them. RBC GAM maintains responsibility for deciding and exercising the vote, aligned with the IRC's recommendation. Information on votes cast in 2023 is available in our voting record disclosure on our regional websites in accordance with applicable regulations.	**Potential**
Voting shares of our Strategic Alliance partner, BlackRock	**Context** A potential conflict of interest exists when RBC GAM exercises its voting rights at BlackRock Inc., due to RBC GAM's strategic alliance with BlackRock Canada.[10] **Mitigating policies & procedures** To address this conflict, when RBC GAM exercises its voting rights at BlackRock Inc.'s annual general meeting, the investment teams are recused from the voting decision, and the RI team makes recommendations to the Proxy Voting Committee directly. The Proxy Voting Committee makes the proxy voting decision in an independent manner and in the best interests of our clients. Information on votes cast in 2023 is available in our voting record disclosure on our regional websites, in accordance with applicable regulations.	**Potential**
Sub-advisors' proxy voting on behalf of RBC GAM	**Context** A potential conflict of interest may arise when a sub-advisor holds securities of a related party issuer in a fund that it is managing on behalf of RBC GAM. **Mitigating policies & procedures** On a quarterly basis, RBC GAM Inc. requests that each third-party sub-advisor confirm that decisions to vote proxies of issuers related to the sub-advisor: ▪ were made free from influence by the related-party issuer and without taking into account any consideration relevant to the related party issuer; ▪ represent the business judgment of the sub-advisor's portfolio manager assigned to the fund, uninfluenced by considerations other than the best interests of the fund; ▪ were in compliance with the sub-advisor's policies and procedures; and ▪ achieve a fair and reasonable result for the fund.	**Potential**

[10] In 2019, RBC Global Asset Management and BlackRock Canada created an alliance to provide the largest full-service exchange-traded fund (ETF) platform in Canada. RBC iShares ETFs are comprised of RBC ETFs managed by RBC Global Asset Management Inc. and iShares ETFs management by BlackRock Asset Management Canada Limited.
More information is available at https://www.rbcgam.com/en/ca/about-us/about-rbc-ishares.

Conflict name	Description	Conflict type
Public statements related to proxy voting on a particular security	Context Potential conflicts of interest and market abuse issues may arise in situations where a portfolio manager makes public statements regarding a particular security, and a portfolio managed by the portfolio manager or others in the firm have an undisclosed position in that security. In this case, the public statement could conflict with the interests of other investors who are misled by the public statement. Mitigating policies & procedures Portfolio managers must consult with the CIO in advance if they are contemplating making public announcements or having any communication that could be misinterpreted as proxy solicitation. This includes public announcements stating how RBC GAM intends to vote on a matter and the reasons for the decision, and communication with other shareholders about the possible organization of a dissidents' proxy solicitation (without sending a proxy). Portfolio managers must not engage in communications that would trigger the requirement for RBC GAM to prepare proxy circulars.	**Potential**

Engagement

As noted above, our conflicts of interest policies prohibit any undue influence being exerted on our stewardship activities from RBC or any other issuer that might have a relationship with RBC or any of its affiliates. The objective of these policies is to avoid or manage any actual or potential conflict of interest. Our engagement priorities and activities are undertaken based solely on what we determine is in our clients' best interests and are aligned with the mandates of the portfolios we manage on their behalf. Any attempts to influence our engagement priorities or activities must be reported to our CIO.

The following are examples of specific conflicts of interests related to engagement that may arise:

Conflict name	Description	Conflict type
Inappropriate use of material non-public information obtained through engagement activities	Context RBC GAM employees could obtain access to material non-public information. The possession of such information could give rise to potential conflicts of interest between the interests of RBC GAM employees and the interests of the firm. For example, this could occur if an employee misuses material non-public information in their personal trading or to improve the investment performance of the investment portfolios that they manage, which may then affect their personal compensation. Conflicts could also arise between the interests of RBC GAM employees and those investors in the capital markets who do not have access to the inside information and who have a right to expect fair markets and ethical investment decision-making behaviour from market participants. Mitigating policies & procedures RBC GAM maintains market abuse policies, including policies for each region in which it operates, which set out the rules for those jurisdictions and establish procedures to be followed in the event that someone authorised to make investment decisions receives material non-public information. Procedures are undertaken to lock down the particular issuer that is the subject of the materal non-public information, from being traded by the individuals possessing such material non-public information, and an escalation procedure exists for addressing the conflict. The policies also provide specific guidance to the investment teams for meetings with issuers.	**Potential**

Conflict name	Description	Conflict type
Personal relationships affecting potential engagement	Context There is a potential conflict of interest where a close personal relationship exists between an RBC GAM employee and a member of a firm who is in a position of authority or influence, or between an RBC GAM employee and a client with whom RBC GAM has or is considering entering into a material business relationship. For example, there would be a potential conflict of interest if a member of an investment team had a close personal relationship with an executive or board director with whom the investment team was initiating an engagement. A potential conflict of interest could also occur if an investment team member has a personal relationship with a client who attempts to influence the investment team's engagement objectives and outcomes in a way that is not in the best interests of the portfolio and RBC GAM clients. Mitigating policies & procedures The RBC Code of Conduct requires all employees to consider and identify any potential or actual conflicts of interest that may arise from a close personal relationship. Further, RBC GAM's employees have an obligation to consider and identify potential material conflicts of interest in relation to RBC GAM, themselves, and their clients. If there is a situation involving a close personal relationship that may pose an actual or perceived conflict of interest, as a minimum the employee is required to disclose it to Compliance, who will determine whether a material conflict of interest exists. The issue may then be escalated to the head of the business unit and the relevant conflicts of interest governing body. The employee may be asked to recuse themselves from any activities related to engagement, as well as follow any further steps determined by the relevant escalation party.	Potential
Outside activities affecting potential engagement	Context Conflicts of interest may arise from an RBC GAM employee's involvement in an outside activity that could affect, or be perceived to affect, the ability of the employee to properly carry out his or her responsibilities at RBC GAM and his or her duties to clients. In the context of active stewardship, this would include an investment professional who holds an outside directorship or has other involvement with an issuer that is the target of an engagement or proxy vote. Mitigating policies & procedures Outside business activities must be approved by both line managers and Compliance. In some cases, the activity may also need to be reported to a third party, such as the Registration group to file an update with regulators. Outside Business Activities disclosure is included in RBC GAM's mandatory annual compliance training for all employees. In the case of a potential engagement, the employee would be asked to recuse themselves from any activities related to engagement.	Potential
Communications about and participation in shareholder initiatives	Context Shareholder activism initiatives may add long-term shareholder value to clients and funds. However, potential conflicts of interest must also be considered before acting. For example, RBC GAM's participation in an ill-founded shareholder initiative may have implications for the affairs and reputation of RBC GAM's clients as well as the affairs and reputation of RBC GAM and RBC. Potential conflicts of interests may arise when the interests of the shareholder initiative or the interests of the employee(s) participating in the shareholder initiative conflict with the interests of RBC GAM, its portfolios, and/or its clients. Mitigating policies & procedures The CIO has full discretion to determine whether RBC GAM should participate in a shareholder initiative. To help ensure that the implications of a proposed shareholder initiative are fully considered and addressed, the CIO may inform the CEO before RBC GAM initiates or participates in any significant shareholder initiative. In the case of a potential conflict of interest issue with respect to a shareholder initiative and RBC GAM mutual funds, it may be determined that the matter must first be escalated and referred to the appropriate regional independent oversight committee for review and recommendation.	Potential

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

RBC GAM risk oversight

- At the investment level, our investment teams are equipped with data and insights to manage the risk exposure of their portfolios. Data is available on a wide range of investment risk factors, which include financial and ESG-related factors, such as climate change. Investment teams integrate material factors into their portfolio management decisions in a manner that complements their distinct investment approaches and mandates, for applicable types of investments.
- At the investment strategy level, the RBC GAM Investment Strategy Committee (RISC) is chaired by the CIO and reviews assessments of global fiscal and monetary conditions, projected economic growth and inflation, as well as the expected course of interest rates, major currencies, corporate profits, and stock prices. From this global forecast, the RISC develops specific guidelines that can be used to manage portfolios. Where material, this may include ESG-related risks, including climate change. Results of the RISC deliberations are published quarterly in the Global Investment Outlook.
- The Investment Risk team oversees investment risks including market risk, counterparty risk, and liquidity risk at both a portfolio and firm level. Working with the Investment Policy team, the Investment Risk team is responsible for establishing risk appetite and risk budgets at the portfolio level. Risk limits including diversification and asset quality requirements are established in investment mandates for each portfolio and are monitored daily. These limits vary with the strategies' investment goals, risk tolerance, and benchmarks. Any breaches of internal investment mandate tolerances are flagged and followed up on by the Investment Policy team. While all internal investment mandate limits are reviewed periodically by the CIO and the Head of Investment Policy, the Investment Risk team monitors the risk profile of portfolios and adherence to risk budgets.
- The RBC GAM Investment Risk Committee (GIRC), along with regional committees for the United States (Investment Risk Oversight Committee) and EMEA-APAC (Market Risk Committee), provides additional investment risk oversight and governance. The GIRC is chaired by the CIO and includes the regional Heads of Risk Management and the Head of Investment Policy, among others. The GIRC reviews the risk profile of portfolios and discusses material risks that may impact investment performance, including ESG and climate-related risks when material.
- At the firm-level, RBC GAM establishes a risk appetite on an annual basis and maintains a risk register of the most material risks facing our business including business risks, investment risks, group financial risks, and operational risks. ESG and climate-related risks may be included if deemed material.

At the firm level, these risks are managed as follows:

- For quantifiable market factors like currency and concentration risks, limits may be implemented on each investment mandate's allowable exposure to those factors. These limits vary with the strategies' investment goals, risk tolerance, and benchmark. With the exception of strategies managed on the BlueBay Fixed Income team investment platform, RBC GAM strategies are monitored daily by internal systems and reviewed at least quarterly by the regional Investment Risk Oversight Committees, which include the Head of Risk and the Head of Investment Policy, among others. For BlueBay Fixed Income team strategies, these are monitored daily by internal systems and reviewed at least weekly by the Market Risk Committee, which includes the BlueBay fixed income investment platform CIO and Head of Risk for EMEA-APAC, among others.

- For systemic risks that relate to the functioning of financial markets, such as transparency, corruption, and climate change, we use active stewardship programs, like direct and collaborative engagement, where applicable, and proxy voting, to convey our views and influence outcomes, where appropriate.

Investment teams are able to assess and monitor climate-related risks and opportunities on an ongoing basis through the RBC GAM Climate Dashboard (Climate Dashboard), which provides a suite of climate metrics at the portfolio level, with detailed breakdowns by sector and top holdings. The Climate Dashboard is produced for a number of equity and fixed income portfolios and is updated on a quarterly basis.[11] This includes climate data that is directly reported by issuers as well as data collected from external datasets (e.g., low-carbon patents, science-based targets), third-party research, and/or estimated and modeled data. The Climate Dashboard provides a view on portfolio, sector and issuer level carbon emissions, transition risks and opportunities, net-zero alignment, and climate scenario analysis. This includes both backward- and forward-looking analysis, as well as data that is reported, estimated, and modeled. It focuses on what RBC GAM considers to be the most material data factors and aims to reflect current climate science, standards, and best practices. As new data becomes available, additional metrics and insights may be added.

Where possible, our investment teams utilize independently verified and reported data collected by third-party providers, which may be supplemented by direct research collected through due diligence and engagements.

On an annual basis, climate-related risks and opportunities are assessed at an asset class and geography level. This analysis is reviewed by the CIO and the RBC GAM Leadership Committee, and is disclosed in RBC GAM's annual Climate Report, which is guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, on a periodic basis, the Leadership Committee receives a Climate Memo that provides updates on issues that include regulatory and competitive developments, collaborative initiatives, and/or climate metrics. More information about investment teams' ESG integration is provided in Principle 7.

Portfolio-level market factor risk is provided to clients in the investment prospectuses of the funds in which they are invested. Please see Principle 6 for more information on client reporting.

Using active stewardship to address systemic risks

Active stewardship is one pillar of our Approach to Responsible Investment. We convey our views through thoughtful proxy voting and engagement with issuers for applicable types of investments. We also engage with regulatory bodies on material ESG issues and collaborate with other like-minded investors, where applicable. We may manage and respond to systemic risks by exerting our influence using all three of these approaches. The following are four systemic issues that are considered material to RBC GAM.

[11] The number of strategies for which a Climate Dashboard is produced may vary quarter-to-quarter and does not include all investment strategies across RBC GAM. The frequency with which investment teams review the Dashboards may vary by team.

Fair & efficient capital markets

We participate in initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. For example, in order to integrate material ESG considerations into investment processes, asset managers need robust and comprehensive disclosure from issuers on material ESG-related factors. This may include disclosure of ESG policies, strategies, risk management, and ESG performance. RBC GAM participates in initiatives that encourage better disclosure of material ESG risks and opportunities and the steps issuers take to address them.

Proxy voting

We exercise the voting rights of the portfolios we manage in the best interests of our clients, and with a view to enhancing the long-term value of the securities held in the portfolios that we manage. We generally support proposals that encourage enhanced disclosure and transparency on issues that present material risks to the issuers in which we are invested. Full details can be found in our Proxy Voting Guidelines. Our voting record is published on our website, in accordance with regulatory requirements.

Engagement

We engage with regulatory bodies, both individually and collaboratively with other investors, to promote well-functioning markets and address systemic risks. This engagement is an important component of our stewardship activities (Principles 9 and 10). We also believe that collaboration with like-minded investors may give us greater influence on issues that are material to our investments, and often serves as a more efficient avenue for engagement on regulatory initiatives and policy matters. Please see *Summary of our Industry Initiatives* below for more.

Collaborative Initiatives[12]

Our collaborative initiatives related to fostering fair and efficient capital markets include:

- Alternative Investment Management Association (AIMA)
- Canadian Coalition for Good Governance (CCGG)
- Council of Institutional Investors (CII)
- Emerging Markets Investor Alliance (EMIA)
- European Leveraged Finance Association (ELFA)
- International Corporate Governance Network (ICGN)
- IFRS Sustainability Alliance
- Investor Stewardship Group (ISG)
- Investment Association (IA)
- Responsible Investment Association (RIA)
- Standards Board for Alternative Investments (SBAI)
- U.N. Principles for Responsible Investment (UN PRI)

2023 Highlights

- Through the UN PRI, provided feedback to the Canadian Securities Administrators on changes to the corporate governance disclosure requirements pertaining to board nominations, board renewal, and diversity of non-venture issuers.
- Provided feedback to the Bank of Canada regarding actions to fine tune its operational practices, aligned with prudent risk management, to potentially help support the development of the green bond market.
- Through the ICGN, provided feedback on the governance of controlled companies. The ICGN report assessed the current state of play of the governance of companies with concentrated ownership, considering the risks and opportunities related to recent global market developments.
- Through the ICGN, provided feedback on its Statement Cautioning Against the Increased Practice of Companies Holding Electronic/Virtual-only Annual General Meetings.
- Provided feedback on the ICGN's statement on the Corporate Sustainability Due Diligence Directive sent to the European Parliament.
- Served on the CCGG Public Policy Committee, CCGG Environmental and Social Committee, Climate Engagement Canada (CEC) Technical Committee, ICGN Global Governance Committee, UN PRI Policy Committee, RIA Board of Directors, ISG Board of Directors, AIMA Global RI Committee, ELFA ESG Committee, and the ISSB Investor Advisory Group. We provide comments on various regulatory initiatives through these affiliations.

[12] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.

Climate change

Climate change is a systemic risk that could affect the global economy. It is also a cross-cutting risk that may both impact and amplify other principal risk types, such as investment risk and operational risk. The impacts of climate change on specific markets, regions, and investments are complex, varied, and uncertain.

As asset managers and investors, and stewards of our clients' assets, we believe considering climate-related risks and opportunities in our investment approach can enhance long-term, risk-adjusted returns. RBC GAM recognizes the importance of the global goal of achieving net-zero emissions by 2050 or sooner, in order to mitigate climate-related risks. We consider material climate change issues in our ESG integration and active stewardship processes, for applicable types of investments. We also recognize the importance of the principles of the Paris Agreement and the international goal of holding temperature rise to "well-below 2°C", and preferably to no more than 1.5°C by the end of the century, in order to mitigate climate-related risks. See Our Approach to Climate Change and Our Net-Zero Ambition for more information.

Proxy voting

We align our proxy voting with the commitments of Our Approach to Climate Change and Our Net-Zero Ambition, as described in our Proxy Voting Guidelines. Shareholder proposals on climate-related risks and opportunities are particularly relevant. When voting on such shareholder proposals, we assess them on a case-by-case basis and look at the specifics of what is being requested in the proposal and what the company has already committed to and is disclosing. We generally:

- Encourage companies to take actions that reduce greenhouse gas (GHG) emissions, strengthen governance oversight of climate-related risks and opportunities, and provide transparent and comprehensive climate-related disclosures.
- Recommend that companies disclose in line with the recommendations of the TCFD.
- Expect companies in which we are invested, where climate change is a material risk, to work towards identifying and publicly disclosing material financial and strategic impacts resulting from the transition to a net-zero economy.
- Expect companies in which we are invested to establish credible targets and develop action plans aligned with achieving net-zero emissions by 2050 or sooner, where climate represents a financially material risk. We also expect them to demonstrate progress in meeting their commitments.

More information on how we vote on climate-related ballot items can be found in our Proxy Voting Guidelines and in Principle 12.

2023 Highlights[13]

- Supported 9/26 proposals requesting a report on climate change and 17/32 proposals requesting GHG emissions disclosure or emission reduction targets. Climate-related shareholder proposals are increasingly nuanced. For a deeper dive into our 2023 proxy voting record on climate-related shareholder proposals, see Climate-related Shareholder Proposals. Our proxy voting records are available on our regional websites in accordance with applicable regulations.
- In December 2023 we joined close to 400 organizations in declaring our support for advancing the global adoption of a new global climate disclosure standard by the International Sustainability Standards Board (ISSB).
- In 2023 we were pleased to participate in the launch of the first Net Zero Benchmark of the Climate Engagement Canada (CEC), in which we are a founding participant. CEC is a finance-led initiative that enables institutional investors to engage collaboratively with Canadian companies to promote a just transition to a net-zero economy.
- Participated in nine collaborative engagements focused on climate change and three on nature-related risks.
- RBC GAM continues to be a supporter of the Investors Policy Dialogue on Deforestation (IPDD), and a member of RBC BlueBay is the co-chair of the IPDD and directly contributed to the initiative's efforts in Brazil and Indonesia in 2023.

[13] The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and specific institutional accounts.

Engagement

We are committed to establishing a plan to actively engage with issuers for whom we believe climate change is a material financial risk if they do not have a net-zero target and action plan or are lagging their peers. We expect issuers in which we are invested, where climate represents a financially material risk, to:

- Establish credible targets and develop action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner.
- Demonstrate progress in meeting their commitments.

Examples of our direct engagements on climate change are included in Principle 9. Examples of collaborative engagements on climate change are included in Principle 10.

Collaborative Initiatives[14]

Our collaborative initiatives related to climate change include:

- CDP
- Climate Action 100+
- Climate Engagement Canada (CEC)
- Investors Policy Dialogue on Deforestation (IPDD)
- Mission Investors Exchange
- Responsible Investment Association (RIA)
- The Forum for Sustainable and Responsible Investment (US SIF)

[14] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.

CLIMATE-RELATED SHAREHOLDER PROPOSALS

We will generally review all shareholder proposals on a case-by-case basis. Where proposals relate to enhanced disclosure in an area that represents a real risk or opportunity for the company, we will generally support it. Where proposals mandate a specific course of action for the company, are considered overly prescriptive, request action or disclosure we believe is already sufficient at the company, or where we determine fulfillment of the proposal request would not be in the best interests of the portfolio, we will generally oppose it.

In 2023, we supported approximately 44% of proposals that our proxy service provider, ISS, categorized as either a 'Report on Climate Change' or 'GHG Emissions'; an increase from ~30% in 2022. We generally supported proposals requesting enhanced disclosure on GHG emissions and/or GHG emission reduction targets, climate-related lobbying, and climate-related risks and opportunities. However, consistent with our approach to evaluating shareholder proposals, we voted against proposals that we determined to be overly prescriptive or not in the best interests of shareholders. For example, this includes proposals directing issuers to implement specific policies or restrictions, or to set targets that we believed were not suitable for the issuer.

We did not support any shareholder proposals (0/7) requesting the adoption of a regular, non-binding shareholder vote on an issuer's climate strategy (say-on-climate). It is our view that a shareholder vote on an issuer's climate strategy is not in the best interests of shareholders in all situations. A regular say-on-climate vote has the benefit of a concise feedback mechanism to the issuer on its climate transition plan. However, we believe there are several shortcomings with the practice, including diminishing the role and accountability of the board by placing the onus on shareholders, and shareholders' ability to cast a sufficiently informed vote due to the overall complexity of the exposure to and management of an issuer's climate-related risks and opportunities. If a management-filed say-on-climate proposal is on the ballot, we will consider the completeness of climate-related plans as well as the suitability of said plans, as determined by RBC GAM, for the issuer.

In 2023, we voted on a total of eight proposals requesting enhanced disclosures on climate-related lobbying, supporting 75% of them (6/8). Consistent with our approach on shareholder proposals requesting general enhancements to disclosures on lobbying activities, we identified several cases where issuers' disclosures on the alignment of their lobbying activities and climate change strategy would benefit shareholders.

We also did not support any proposals requesting a restriction on spending on climate-related analysis or actions (0/10), or a restriction of fossil fuel financing (0/16). We generally viewed these proposals as overly prescriptive.

A summary of our votes on climate-related shareholder proposals is included below.

Proposal Category[15]	Proposals	Votes For	% For
Climate Change Action	3	1	33.33%
Climate Change Lobbying	8	6	75.00%
Disclosure of Fossil Fuel Financing	10	2	20.00%
GHG Emissions	32	17	53.13%
Proposals Requesting Non-Binding Advisory Vote On Climate Action Plan	7	0	0.00%
Renewable Energy	4	0	0.00%
Report on Climate Change	26	9	34.62%
Restrict Spending on Climate Change-Related Analysis or Actions	10	0	0.00%
Restriction of Fossil Fuel Financing	16	0	0.00%

[15] The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and specific institutional accounts. Proposal categories are defined by ISS.

Corporate governance

Although any ESG factor may be material to an issuer depending on its sector or geography, we believe corporate governance is material to all issuers. We believe that issuers with good corporate governance practices are better able to focus on long-term, sustainable growth; pose less risk for equity investors due to proper alignment of shareholder and management interests; are more likely to issue fixed income instruments with higher credit quality and lower credit risk; and are more likely to effectively manage environmental and social risk factors.

Proxy voting

We have detailed our views on corporate governance issues as part of our Proxy Voting Guidelines. This includes issues related to boards of directors, management and director compensation, takeover protection and transactions, shareholder rights, shareholder proposals, and management environmental and social proposals.

Engagement

Our investment teams engage directly with the issuers in which they are invested on material corporate governance issues, either as part of investment initiation, ongoing engagement, or escalation from proxy voting activities, for applicable types of investments. Common principles we promote across markets in our equity and fixed income investments include the following:

- The need for a qualified and effective board that is accountable to investors
- Strong management of capital structure
- Robust accounting and risk management systems
- Appropriate oversight of material environmental and social risks and opportunities
- Policies and controls designed to help ensure full compliance with all applicable laws and regulations

Examples of our direct engagements with companies on corporate governance are included in Principle 9.

Collaborative Initiatives

Our collaborative initiatives related to corporate governance include:

- Alternative Investment Management Association (AIMA)
- Canadian Coalition for Good Governance (CCGG)
- Council of Institutional Investors (CII)
- Emerging Markets Investor Alliance (EMIA)
- European Leveraged Finance Association (ELFA)
- International Corporate Governance Network (ICGN)
- Investor Stewardship Group (ISG)
- Responsible Investment Association (RIA)

2023 Highlights

- Voted against the election of roughly 15% of directors up for election due to governance concerns (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees), voted against approximately 11% of proposals on advisory votes on executive compensation plans and 14% of proposals on remuneration policies, and supported roughly 99% of shareholder proposals requesting an independent board chair in 2023. More voting statistics are included in Principle 12.[16]
- As a participant of CCGG's collective engagement program, provided input for eight collective engagements on governance topics. CCGG completed 34 collective engagements.
- Served on the ISG board, CCGG Public Policy Committee, ICGN Global Governance Committee and the RIA Board of Directors, among others.
- Examples of our investment teams' direct engagements with issuers on corporate governance and the outcomes, where applicable, are included in Principle 9.

[16] The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and specific institutional accounts. In some cases, we may have also voted against a director's election based on environmental and/or social issues.

Diversity and inclusion

At RBC GAM, we believe that companies with strong diversity and inclusion policies and procedures perform better over the long term, both in terms of financial performance and risk management. Diversity and inclusion issues, and gender diversity specifically, are addressed in our Proxy Voting Guidelines, through direct engagement by investment teams, where applicable, and through collaborative engagement as part of industry initiatives such as the 30% Club Canadian Investor Group. We believe issuers benefit from strong diversity and inclusion policies because they promote a culture of creative and innovative development, which can lead to lower turnover, higher employee morale, and the ability to attract and retain talent.

Proxy voting

Our Proxy Voting Guidelines reflect our long-term expectations for the issuers in which we invest. Regarding diversity and inclusion, we will generally support proposals that ask companies to:

- Report on racial or gender pay equity where the company has inadequate policies or disclosure and its practices lag behind peers' or the company has been the subject of a recent controversy, including litigation, related to racial or gender pay equity
- Adopt guidelines and report on progress toward creating advancement opportunities for women and minorities

For more information and specific guidance, see our Proxy Voting Guidelines.

Engagement

Our investment teams engage directly with the issuers in which they are invested on issues of diversity and inclusion, for applicable types of investments. We believe that to enhance overall board effectiveness, directors should have a diverse range of backgrounds and experience. To the extent practicable, directors should reflect the gender, racial, ethnic, and other dimensions of diversity of the communities in which the issuer operates and sells its goods or services. We also recommend that boards adopt policies, goals, and timelines to improve diversity on boards and in senior management, and to foster an inclusive corporate culture that enables diversity and people to thrive.

Collaborative initiatives

Our collaborative initiatives related to diversity and inclusion include:

- 30% Club Canadian Investor Group
- Responsible Investment Association (RIA)

2023 Highlights[17]

- Updated our Proxy Voting Guidelines for 2023 to clarify the types of enhanced disclosure requests related to diversity and inclusion we would generally support in shareholder proposals and refine our board gender diversity guideline to specify an adequate target to increase board gender diversity will target 30% representation of women on the board by the next annual meeting of shareholders. The specification in our board gender diversity guideline addresses our view that boards have had several years of investor requests to increase the percentage of women on boards.
- In 2023, RBC GAM voted against 2,450 proposals on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 2,450 proposals, we voted against the election of the nominee at least in part due to board gender diversity concerns on 1,392 proposals. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.). See Principle 11 for a deeper dive on our proxy voting related for board gender diversity.
- Examples of our investment teams' direct engagements with companies on diversity and inclusion, and the outcomes of each, are included in Principle 9.

RBC GAM's regional affiliates also have several diversity and inclusion employee resource groups, which run local events and initiatives, and provide inputs to the firm-level Diversity & Inclusion Committee. One example is the RBC BlueBay Diversity, Equity, and Inclusion (DEI) Forum. In addition to organizing events, the RBC BlueBay DEI Forum has encouraged the development of monthly internal reporting on diversity and inclusion. RBC GAM-UK publishes a Gender Pay Gap report annually.

For more information on RBC's diversity and inclusion efforts, please see the RBC 2023 ESG Progress Report.

[17] The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and specific institutional accounts.

Summary of our industry initiatives[18]

As long-term investors and stewards of our clients' assets, we participate in industry initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. Due to the RBC GAM-UK and BBAM LLP alignment in 2023 (see Principle 2), membership and signatory arrangements for our industry initiatives may change going forward. In some instances, RBC GAM or RBC BlueBay may have been an individual signatory to an industry initiative listed below in 2023.

Initiative	Description and key commitments	Primary theme
30% Club Canadian Investor Group	RBC GAM is a signatory to the 30% Club Canadian Investor Group. The group is a coalition of Canada's largest institutional investors which calls on publicly traded companies to take prompt and considered action to achieve and exceed the 30% gender diversity target and to enhance the presence of other underrepresented groups on their boards and at the executive management level. For more information on the investor group's commitment to gender diversity, please see its Statement of Intent. The coalition has instigated numerous engagements, for which RBC GAM provides inputs and feedback. In pursuit of the coalition's intentions, we update our Proxy Voting Guidelines as required to convey our continued commitment to increasing diversity on the boards of our investee companies. Our board gender diversity voting guideline continued to lead to numerous voting and engagement outcomes with investee companies in 2023. For more information, please see Principle 11. In 2023, 36.2% of board seats were held by women at S&P/TSX Composite Index companies.[19]	Diversity & inclusion
Alternative Investment Management Association (AIMA)	We are a member of AIMA the global representative of the alternative investment industry. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides.	Fair & efficient capital markets
Canadian Coalition for Good Governance (CCGG)	RBC GAM is a founding member of the CCGG. The CCGG promotes good governance practices in Canadian public companies and works to improve the regulatory environment to best align the interests of boards and management with their shareholders. Members of RBC GAM's RI team serve on the Public Policy and Environmental & Social Committees. RBC GAM was also a participant in CCGG's collective engagement program and provided input for eight collective engagements in 2023. In total, CCGG completed 34 collective engagements in 2023. Finally, through CCGG, we provided comments on numerous regulatory submissions to Canadian and U.S. regulators. In 2023, CCGG filed five comment letters with regulators that we reviewed and, where appropriate, provided input.	Fair & efficient capital markets Corporate governance
CDP	We are signatories to the CDP, formerly known as the Carbon Disclosure Project. The CDP runs a global disclosure system that enables entities to measure and manage their environmental impacts and strives to advance environmental disclosure.	Climate change
Climate Action 100+	In 2020, we became signatories to Climate Action 100+, an investor-led initiative focusing on active engagement with the world's largest publicly traded and systemically important carbon emitters, or companies with significant opportunity to drive the transition to a low-carbon economy. In 2023, we participated in five of the Climate Action 100+'s engagements. The purpose of these engagements is to encourage companies to take actions to reduce GHG emissions, improve governance oversight of climate change, and enhance climate-related disclosures.	Climate change

[18] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.
[19] Diversity Disclosure Practices: Diversity and leadership at Canadian public companies. Osler.

Initiative	Description and key commitments	Primary theme
Climate Engagement Canada (CEC)	In 2021, we became a founding participant of the CEC, a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy. This is a national engagement program in Canada, akin to Climate Action 100+. In 2023, CEC launched the Net Zero Benchmark and its first assessment of focus companies against the benchmark, which provides a set of common standards for investors to evaluate corporate issuers' progress towards aligning with the Paris Agreement's ambition. A member of RBC GAM's RI team is Chair of the Technical Committee of the CEC. In 2023, RBC GAM participated in the launch of four collaborative engagements as part of CEC.	Climate change
Emerging Markets Investor Alliance (EMIA)	The BlueBay fixed income investment platform is a member of the EMIA, which aims to enable institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. Over the course of 2023, the BlueBay Fixed Income team continued to participate in several EMIA work streams, such as those focusing on agriculture (Brazilian food producers and deforestation), the telecommunications, technology and media sectors (e-waste), extractives (social and climate issues), ESG labelled issuances (enhancing the quality of), and the debt and governance work stream (fiscal and budgetary transparency).	Fair & efficient capital markets
European Leveraged Finance Association (ELFA)	The BlueBay fixed income investment platform is part of this industry trade body, and as part of our membership, a BlueBay Fixed Income team member is an ESG Committee member. Over the course of 2023, the BlueBay Fixed Income team provided input into ELFA's submissions to public consultations related to ESG regulation.	Fair & efficient capital markets
Farm Animal Investment Risk & Return (FAIRR)	The BlueBay fixed income investment platform is a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production. During 2023, the BlueBay Fixed Income team continued to participate in the collaborative engagement project on labour standards in the food producer industry and provided input into FAIRR's strategy and work programme.	Nature-related risks Labour standards
International Corporate Governance Network (ICGN)	RBC GAM is a member of the ICGN, aiming to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. A member of the RI team is on ICGN's Global Governance Committee. Through the ICGN we provided comments on numerous regulatory submissions. In 2023, the ICGN filed four various letters with regulators, which we reviewed and, where appropriate, provided input.	Fair & efficient capital markets Corporate governance
Investor Stewardship Group (ISG)	RBC GAM is a founding member of ISG, which works to establish a framework of basic standards of investment stewardship for institutional investors and corporate governance principles for U.S. listed companies. A member of the RI team sits on the ISG Board of Directors.	Fair & efficient capital markets Corporate governance
Investment Association (IA)	We are a member of the IA, the United Kingdom's membership association for investment managers. A member of the RI team sits on the IA's Fixed Income Stewardship Working Group.	Fair & efficient capital markets
Investors Policy Dialogue on Deforestation (IPDD)	In 2023, we continued to be a supporting investor of the IPDD, and a member of the BlueBay Fixed Income team was co-chair of the IPDD and contributed directly to the initiative's efforts in Brazil and Indonesia (as of 2023). In April 2023, the initiative held a week of meetings in Sao Paulo, Brazil and the Amazon, which marked an important escalation of its engagement with the Brazilian authorities on deforestation.	Nature-related risks
Mission Investors Exchange	RBC GAM is a member of the Mission Investors Exchange, the leading impact investing network for foundations, dedicated to deploying capital for social and environmental change.	Impact management

Initiative	Description and key commitments	Primary theme
Responsible Investment Association (RIA)	RBC GAM is a member of the RIA, Canada's association for responsible investment whose mandate is to promote responsible investment in Canada's retail and institutional markets. In 2023, a member of the RI team was Vice-Chair of the RIA board of directors and Chair of the Governance Policy Committee. Through the RIA, we contributed to one policy submission in 2023. In 2020, RBC GAM became signatory to the Canadian Investor Statement on Diversity & Inclusion. In 2021, RBC GAM also became a founding signatory to the 2021 Canadian Investor Statement on Climate Change.	Fair & efficient capital markets Climate change Diversity & inclusion Corporate governance
Standards Board for Alternative Investments (SBAI)	We are a member of the SBAI, which aims to help institutional investors and alternative investment managers better understand how responsible investment can be applied in different alternative investment strategies, as well as the specific challenges and questions that arise in these contexts.	Fair & efficient capital markets
IFRS Sustainability Alliance	We are members of the IFRS Sustainability Alliance, a global membership program for sustainability standards, integrated reporting, and integrated thinking. Upon the Value Reporting Foundation's consolidation into the IFRS Foundation, the IFRS Foundation's International Sustainability Standards Board (ISSB) assumed responsibility for the Sustainability Accounting Standards Board (SASB) Standards. The ISSB has committed to build on the industry-based SASB Standards and leverage SASB's industry-based approach to standards development. The ISSB encourages preparers and investors to continue to use SASB Standards. In 2023, a member of the RI team sat on the Investor Advisory Group. In advance of COP28, RBC GAM was a participant, with close to 400 other organizations, in declaring support to advance the adoption or use of the ISSB's climate-related reporting standard, IFRS S2 Climate-related Disclosures (IFRS S2), at a global level. RBC GAM has published a climate-related report guided by the recommendations of the TCFD since 2020. The TCFD recommendations are now incorporated into the ISSB's Standards, which are overseen by the International Financial Reporting Standards Foundation (see more here). A member of the RI team participates on the ISSB Investor Advisory Council.	Fair & efficient capital markets
UN Principles for Responsible Investment (UN PRI)	We are signatories to the UN PRI, a leading global network for investors committed to integrating ESG considerations into their investment practices and ownership policies. We are committed to putting the UN PRI's six Principles of Responsible Investment into practice and believe that they are aligned with RBC GAM's existing Our Approach to Responsible Investment. In 2023, a member of the RI team sat on the Policy Committee, and the BlueBay fixed income investment platform continued its role in several UN PRI-led initiatives related to fixed income, including the Structured Products Advisory Committee, the Advisory Committee on Credit Ratings (ESG), and the Sustainable Commodities Practitioners Working Group (deforestation). As part of its involvement, the BlueBay fixed income investment platform participated in workshops and webinars, and provided feedback on white papers.	Fair & efficient capital markets

A full list of our collaborative initiatives can be found at rbcgam.com/ri. An extract of the collaborative engagements we conducted as part of these initiatives can be found under Principle 10.

Operational initiatives for addressing systemic risks

RBC GAM recognizes that all industry participants have an operational impact on the financial system and its systemic risks. Therefore, we work to internally reflect the change we aim to see externally.

Examples of commitments and actions:

Diversity & Inclusion

The RBC GAM Diversity & Inclusion Committee, a sub-committee of the RBC GAM Leadership Committee, leads our diversity and inclusion efforts across the firm. The CEO is a member of this committee that also consists of executives from across the firm, including the Head of RI.

RBC GAM's goal is to build an organization in which smart, collaborative, curious and ethical people can contribute, thrive, and grow in their careers. We know that an inclusive environment helps us attract and retain talent, enables us to benefit from diverse perspectives and generate more ideas, and drives innovation and growth. In 2023, the number of women senior leaders of RBC GAM Inc. was 26%. The number of RBC GAM investment professionals who identified as women was 26% as at September 2023.

RBC GAM's regional affiliates also have several diversity & inclusion employee resource groups, which run local events and initiatives, and provide inputs to the firm-level Diversity & Inclusion Committee. One example is the RBC BlueBay DEI Forum. In addition to organizing events, the RBC BlueBay DEI Forum has encouraged the development of monthly internal reporting on diversity and inclusion. RBC GAM-UK publishes a Gender Pay Gap report annually.

Climate Change

RBC GAM is the asset management division of RBC.[20] RBC is committed to the goal of achieving net-zero in its operations.[21] To advance toward this ambition, RBC set two goals: to reduce market-based GHG emissions by 70% with a baseline year of 2018;[22] and to increase its sourcing of electricity from renewable and non-emitting sources to 100%[23], both by 2025. In 2023, RBC sourced 100% of its total global electricity consumption from renewable sources.[24]

The Head of RI at RBC GAM sits on the RBC Climate Steering Committee, which leads the enterprise climate strategy and supports its execution across key businesses and functions.

For applicable types of investments, RBC GAM also identifies, assesses, and manages climate-related risks and opportunities across our investments and portfolios, and we categorize climate transition and physical risks according to the TCFD framework and consider these within the context of the asset class and relevant time horizons.

RBC GAM's investment teams prioritize those ESG and climate change factors that are considered to be most material to each investment decision. The extent to which an ESG factor is considered material depends on the issuer, the industries and geographies in which it operates, and the nature of the investment vehicle for which it is purchased.

For more information, see Our Approach to Climate Change, Our Net-Zero Ambition, and our latest Climate Report.

[20] "RBC" refers to Royal Bank of Canada and its subsidiaries in this Report.
[21] RBC defines net-zero in its operations as the state where it has taken steps to minimize its emissions from its operations to the extent it is able to do so, and then for any remaining emissions from its operations, removing an equivalent amount of those emissions from the atmosphere.
[22] Inclusive of RBC's global operations, Scope 1, 2 (market-based) and 3 (business travel) reported GHG emissions, using a baseline of 2018. See RBC Climate Report 2023 for details on market-based emissions.
[23] Renewable electricity is defined as energy produced from renewable sources such as hydroelectricity, wind and solar. Non-emitting sources include nuclear power generation. The performance towards RBC's goal to achieve 100% renewable and non-emitting electricity consumption by 2025 is calculated based on grid mix data and the Renewable Energy Certificate it either purchases from third-parties or receives from its two renewable energy Power Purchase Agreements (PPAs). A PPA is a long-term financial agreement between a renewable energy buyer and a renewable energy seller where the buyer guarantees the seller a fixed price for renewable energy from the project.
[24] RBC procures renewable electricity through long-term power purchase agreements (PPAs) and other sources of renewable energy certificates.

RBC GAM's investment teams consider material social issues as part of their investment approaches, for applicable types of investments. Social factors may include, but are not limited to, human rights, employee relations and working conditions, unlawful discrimination, child labour, forced or compulsory labour, and health and safety. RBC GAM's commitment is described in Our Approach to Responsible Investment.

RBC GAM also conveys its views through informed proxy voting, and engagement with issuers for applicable types of investment. In line with our Proxy Voting Guidelines, RBC GAM generally supports proposals that call on companies to respect internationally recognized human rights and relevant international agreements regarding the protection of those rights, including the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles).

Human Rights

As described in the RBC Approach to Human Rights, RBC and its subsidiaries, including RBC GAM, are committed to respecting human rights, including those of any clients, employees and third parties we conduct business with or who may be affected by our business activities – either directly or indirectly – and to taking the actions set out in RBC's Human Rights Statement to meet the responsibility of businesses like RBC's to respect human rights, as set out in the UN Guiding Principles on Business and Human Rights. As part of this commitment, RBC has particular regard to those rights set out in the Universal Declaration on Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). As described in RBC's Statement Regarding Modern Slavery, modern slavery – including but not limited to forced labour and child labour – and human trafficking are contrary to our Purpose, Vision and Values.[25] RBC does not tolerate slavery or human trafficking in its organization or in those of its suppliers and subcontractors.

[25] https://www.rbc.com/our-company/purpose-vision-and-values.html

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Our policies for effective stewardship

At RBC GAM, we have a number of policies that govern our RI and active stewardship activities. Each policy is reviewed on a regular basis for its ability to enable effective stewardship, and updates are made as required. Policies are approved and assured by the relevant internal oversight body.

The following table outlines the principal policies that relate to our RI and active stewardship activities, including their respective review processes and their highest possible level of assurance. For example, RBC's Internal Audit team initiates internal audits of RBC GAM's RI and stewardship activities as part of regional audit activities, on a rotating schedule. All of our RI and stewardship policies are within scope of a potential internal audit in any given year.

In general, policies that relate directly to our RI and stewardship strategies are approved by the CIO and Head of RI. Policies that relate to the adherence to regulations or other firm-wide policies are generally approved by our global Compliance teams.

Policy	Description and updates	Level of assurance
Approach to RI	Our Approach to Responsible Investment is the overarching policy that governs all RI activities at RBC GAM and is structured according to three pillars – ESG Integration, Active Stewardship, and Client Solutions and Reporting. The RI team reviews and updates Our Approach to Responsible Investment on a regular basis to reflect current activities and best practices. Updates to the policy are reviewed by the RBC GAM Leadership Committee and Global Compliance, and are approved by the CIO. In 2023, we published an update to Our Approach to Responsible Investment to better reflect best practices in RI and the processes applied internally.	Internal audit
Approach to Climate Change	Our Approach to Climate Change is the policy that governs how we address material climate-related risks and opportunities in our investment approach. It is structured according to the three pillars of Our Approach to Responsible Investment. The RI team reviews and updates our Approach to Climate Change on a regular basis to reflect current activities and best practices. Updates to the policy are reviewed by the RBC GAM Leadership Committee and global Compliance teams, and are approved by the CIO. In 2023, we published an update to Our Approach to Climate Change to better reflect best practices in RI and the processes applied internally.	Internal audit
Proxy Voting Policies	RBC GAM's regional proxy voting policies specify the internal processes that govern RBC GAM's proxy voting activities across the regions in which we operate. The RI team proposes updates to the proxy voting policies when there is a change in the internal processes, governance, or service providers involved in proxy voting. Updates are reviewed by the global Compliance teams, the appropriate independent review body (e.g., the IRC in Canada), and are approved by the CIO, where required.	Internal Audit

<table>
<tr><th>Policy</th><th>Description and updates</th><th>Level of assurance</th></tr>
<tr><td>Proxy Voting Guidelines</td><td>The Proxy Voting Guidelines specify our approach for how RBC GAM will generally vote on specific proposals and issues in our proxy voting activities. The Proxy Voting Guidelines are applied in Canada, the United States, the United Kingdom, Ireland, Australia, and New Zealand.

The RI team proposes updates to the Proxy Voting Guidelines on an annual basis, with input from investment teams throughout the year. Proposed updates are based on new issues that arise during proxy voting season and on evolving views on ESG issues, with the objective of ensuring that voting is aligned with clients' best interests. Updates are reviewed by the Proxy Voting Committee and are approved by the CIO.

In 2023, updates to the Proxy Voting Guidelines included, but were not limited to:
- Generally voting against members of the Governance Committee at issuers using unequal voting right structures that do not maintain certain shareholder protections.
- Clarifying our approach to voting against director elections where we identify concerning pay programs for Executive Chairs.
- Refining our approach to voting on equity-based compensation plans where we identify stock option terms that may not be appropriate for the issuer.</td><td>Internal audit</td></tr>
<tr><td>Firm-wide investment exclusions</td><td>At RBC GAM, we recognize the broad-based international consensus regarding the investment in issuers whose business activities would contravene the prohibitions contained in any of the following conventions:
- Anti-Personnel Land Mines Convention
- Biological and Toxin Weapons Convention
- Convention on Cluster Munitions
- The Chemical Weapons Convention

In recognition of that consensus and the significant risks associated with those investments, we have applied a norms-based exclusion screen where no RBC GAM investment team will knowingly invest in companies associated with the manufacture and production of anti-personnel land mines, cluster munitions, biological weapons, or chemical weapons. These exclusions are applicable for portfolios where RBC GAM controls the investment policy, excluding certain passive investment strategies.[26] For segregated accounts or products where our clients control the investment policy, excluding certain passive investment strategies, clients may request different exclusions or no exclusions. We have engaged an independent third-party research provider to provide us with a list of companies that should be excluded on the basis of this policy. The list of companies is updated monthly.

Where there are full economic sanctions that prohibit any financial dealings with a foreign state, including investment in entities operating under the authority of the foreign state, the applicable RBC GAM affiliate(s) will not invest in securities that fall within the sanctions.</td><td>Internal audit</td></tr>
<tr><td>Conflicts of Interest Policies</td><td>Our Conflicts of Interest Policies establish the requirements for RBC GAM to maintain compliance with all applicable conflicts of interest securities laws and regulations for the jurisdictions in which we operate.

The global Compliance teams maintain each RBC GAM affiliate's respective Conflicts of Interest Policy and keep a register of material conflicts of interest and procedures for each policy. RBC GAM affiliates' conflicts of interest policies are approved by their appropriate Chief Compliance Officers.

Principle 3 provides more information on our Conflicts of Interest Policies.</td><td>Internal audit</td></tr>
</table>

[26] These exclusions apply to direct equity or corporate credit holdings, but do not apply to derivatives or other index exposures where our exposure is indirect.

Assurance of our stewardship policies

At RBC GAM, we have a number of internal review processes in place to support the proper implementation of our RI and stewardship policies. Examples include:

- Every year, the RI team documents the ESG integration processes of our investment teams. This includes teams' overarching approaches, data inputs used, steps taken, and tools used to identify, assess, and consider material ESG factors as part of their investment and portfolio management decisions. Through this process, the RI team verifies that investment teams' activities remain aligned with the commitments set out in Our Approach to Responsible Investment and Our Approach to Climate Change. The Head of RI oversees the review of each team's ESG integration process, and the CIO reviews the results annually.
- Our Investment Policy team conducts periodic audits on investment teams' holdings to verify if investment restrictions included in the firm-wide investment exclusions – including those related to economic sanctions and cluster munitions and anti-personnel land mines – are being consistently and correctly applied.
- Our global Compliance teams provide training, regular required certifications, and other tools to employees to help ensure that conflicts of interest policies are being adhered to. Principle 3 details the process for addressing potential or actual conflicts of interest in our RI and stewardship activities.

We believe that the high level of direct oversight by RBC GAM executives of our RI and stewardship activities and policies provides a strong level of governance related to the content and implementation of these policies. The RBC Internal Audit team also initiates internal audits of our RI and stewardship activities on a rotating schedule. All of our RI and stewardship policies are within scope of internal audit. For example, as part of an internal audit of an investment team's activities, the internal audit team may also review the team's ESG integration, engagement, and proxy voting activities. In other cases, the internal audit team may address the entirety of a specific RI or stewardship policy, such as a proxy voting policy.

Finally, we may seek external audit on specific RI and stewardship policies as appropriate. In 2023 RBC GAM became a signatory to the Operating Principles for Impact Management by the Global Impact Investing Network (GIIN), a commitment that applies to two impact funds available in the U.S. The commitment to these is described in in our report, [Impact Operating Principles], which was independently verified by PwC.

Currently, proxy voting for RBC GAM-UK equity mandates is subject to a regular external audit, which covers RBC GAM-UK's proxy voting internal controls and is conducted annually.

Continuous improvement

Our RI and stewardship reporting continue to evolve in response to internal review processes, client feedback, and changing best practices. Updates to Our Approach to Responsible Investment Our Approach to Climate Change, and our Proxy Voting Guidelines are included in the table above. In 2023, we also published our third climate report guided by the recommendations of the TCFD ([RBC GAM Climate Report 2022]).

In 2023, RBC GAM leveraged our internal ESG data infrastructure to further enable and enhance the use of ESG data as part of the investment process, in order to meet regulatory requirements, and to enhance ESG-related reporting to clients. This includes our internal Climate Dashboards which are updated for investment teams on a quarterly basis with data on carbon emissions, net-zero alignment, transition risks and opportunities, and climate scenario analysis.

In 2023 we also leveraged our internal ESG data infrastructure to conduct climate research. This includes research into the risk-return implications of managing portfolios with emissions reduction targets, using our quantitative research expertise to assess climate factors, and expanding our climate analysis to include sovereign fixed income assets. In 2023, we provided portfolio climate reports to institutional clients in some regions, as appropriate and in line with the UK FCA ESG Sourcebook. These are client-facing reports that meet UK regulatory requirements and include a range of climate metrics for investment strategies, funds or accounts. This includes metrics related to carbon emissions (absolute and intensity based), investment in carbon intensive sectors, temperature alignment, and climate scenario analysis.[27]

We also initiated a project to automate the delivery of proxy voting data to our investment teams in a user-friendly manner. Building off a custom process developed by the RBC North American Equity team, the RI team initiated a project to set up a customized alert delivery system for upcoming votes in investment team portfolios. We believe these efficiencies will reduce maintenance requirements and provide our RI team with more time to research and analyze upcoming votes.

Additional information on our reporting to clients on RI and stewardship activities, including how we have responded to client feedback, is included in Principle 6.

For more information on how our Conflicts of Interest Policies are updated, please see Principle 3.

[27] The number of strategies for which a Climate Dashboard is produced may vary quarter-to-quarter and does not include all investment strategies across RBC GAM. The frequency with which Investment teams review the Dashboards may vary by team

Fair, balanced and understandable

Transparency and accountability are key to maintaining meaningful relationships with our clients and delivering on our fiduciary duty. We strive to provide our clients with regular reporting on our RI and active stewardship activities. Public reports describing RBC GAM's RI and stewardship activities are reviewed by the RI team, a copy editor, and regional compliance officers prior to publication, to help ensure fair, balanced, and understandable reporting.

Fair

As an investment manager and steward of our clients' assets, RBC GAM has an obligation to act fairly, honestly, and in good faith with our clients. In our RI and stewardship reporting, all publications are reviewed by the appropriate regional compliance teams to help ensure that information is presented fairly and in line with the regulatory requirements of each of the regions to which the reports apply. We also strive to ensure that material information about our clients' investments is fairly distributed across all clients to which the information applies in a timely manner.

Balanced

To help ensure our reporting is balanced and does not overstate the actions or outcomes of any particular team or initiative, relevant RI and stewardship reports are reviewed and approved by the Head of RI and the CIO. Key publications are also reviewed by the RBC GAM Leadership Committee, which comprises senior executives from across the firm, and relevant sections relating to specific internal teams are reviewed by those teams for accuracy. We also consider feedback from our clients and regulators on our RI and stewardship publications to help ensure the information presented is meaningful and appropriately balanced across material ESG topics, investment team approaches, and case examples.

Understandable

We strive to write all reports and policies in plain language, so that a broad range of stakeholders and clients can understand and interpret the content without subject matter training. Many of our teams, including the RI team, have completed plain writing training sessions, to help ensure that reports are relevant and easy to read.

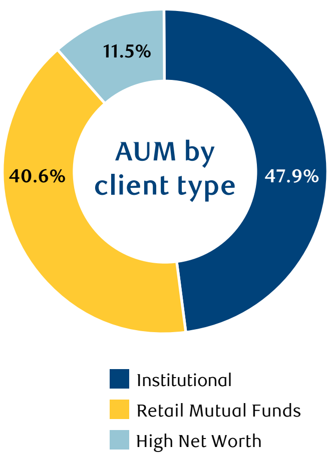
Principle 6

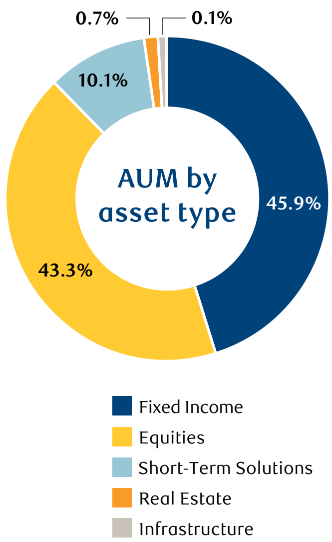
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

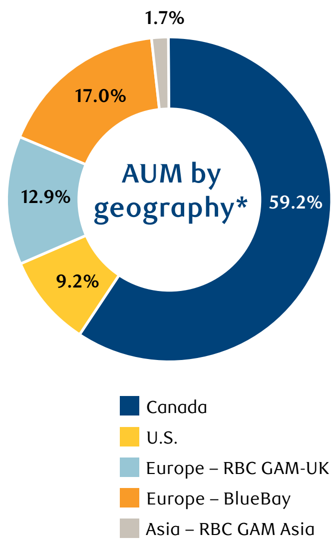
Our assets under management

The RBC GAM group of companies manage approximately £339.2 billion in assets under management (AUM) worldwide as at December 31, 2023. Our global investment teams are active across capital markets and asset classes, deploying traditional and innovative strategies.

The approximate breakdowns of our AUM by client type, asset type, and geography are as follows:[28]







* This geographic breakdown represents AUM managed by each of RBC GAM's regional affiliates. For example, in this chart, 'Europe – RBC GAM UK' represents the AUM of clients from various jurisdictions, managed by the RBC GAM-UK affiliate.

Our principal aim is to maximize investment returns for our clients without undue risk of loss. We do this within the investment limits described in each investment mandate. Each mandate includes a description of the investment time horizon appropriate to the client(s), with the majority of our mandates following a medium (1-5 year) to long-term (5-15 year) time horizon. As such, this is the investment time horizon we generally consider in our investment activities and processes.

[28] Figures may not sum to 100% due to rounding.

Serving retail clients

Our client base is divided between individual investors (52%) and institutional clients (48%). More than 99% of our retail mutual fund clients are based in Canada, and our retail mutual funds are each managed according to their mandates. Individual retail investors and their financial advisors select mutual funds based on their needs and objectives.

For each mutual fund, our duty is to fulfil the objectives and expectations of each mandate. Fund mandates are developed based on broad market demand and regulatory requirements. Given the potentially high number of individual investors in these funds, there are limited opportunities to collect detailed views and feedback.

Some of the ways in which we solicit views from individual investors include:

- Direct feedback from clients, advisors, wholesalers and/or sales leadership teams through in-person meetings, electronic communications, and events. This feedback is collected and analyzed by sales and distribution teams, with input provided to the RI, investment, and product teams, as appropriate.
- Market research conducted by RBC GAM and through third parties, which considers sales analysis, competitive landscape analysis, and client preferences and needs.
- Industry-level research and advocacy trends, as part of our membership with Investment Funds Institute of Canada and the RIA.

RBC GAM takes our commitment to clients seriously. We provide comprehensive reporting, education, and communications with our network of financial advisors and our retail mutual fund clients, including fund updates, regular stewardship reporting, public disclosure of our RI and stewardship activities, ESG insight articles, and periodic client education sessions and events. See the *Meaningful Client Reporting* section below for more information.

Creating strong institutional client relationships

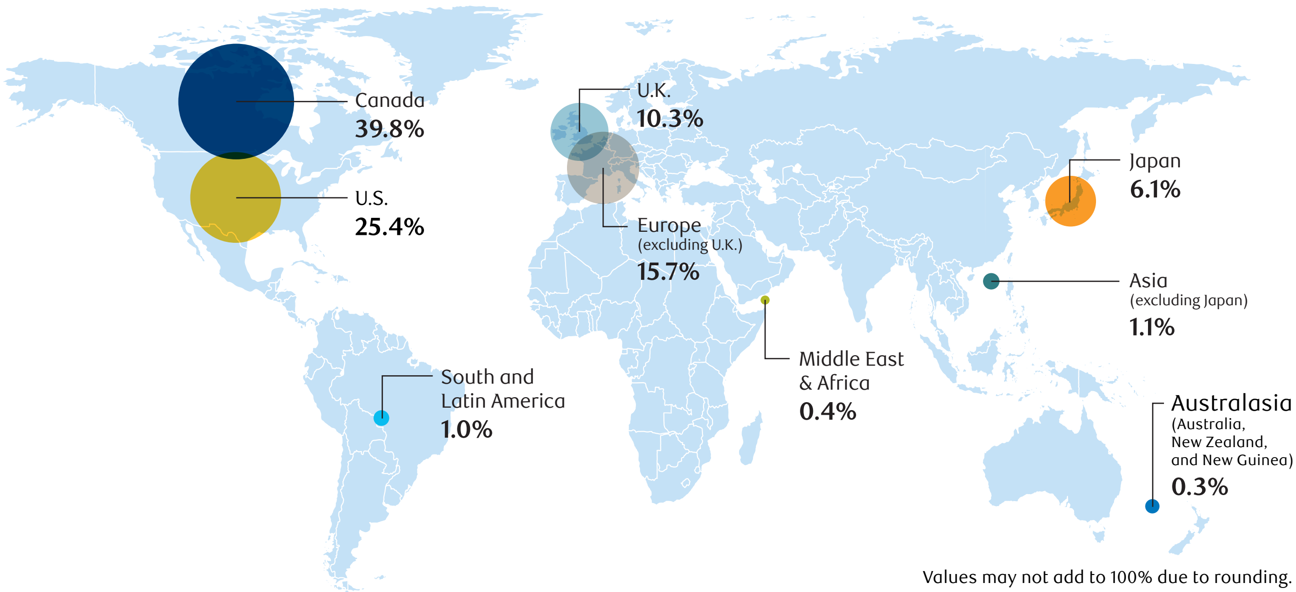
RBC GAM has a history of serving institutional clients, which make up 48% (£163 billion) of RBC GAM's AUM. Our institutional client base is regionally diverse, with 39.8% in Canada, 25.4% in the U.S., 10.3% in the U.K., and 24.5% from other regions (see diagram below).

RBC GAM establishes specific mandates that are based on the needs and objectives of each client. RBC GAM works directly with our institutional clients so that we may be effective stewards of their capital.

Each institutional client has a team of dedicated investment professionals to support their investment needs. These professionals work with clients to understand their investment views and objectives, which are then incorporated into their Investment Policy Statements. This includes gathering information regarding clients' investment risk appetite, time horizon, return requirements, and other parameters specific to RI and active stewardship. The Investment Policy Statement is the primary governing document in our relationship with each institutional client and clearly outlines each client's mandate restrictions and long-term investment objectives.

Overview of our client base

Institutional AUM by client country / region (%)



Values may not add to 100% due to rounding.

The Investment Policy Statement directly reflects each client's investment goals and may include specific requests from clients related to their preferred approach to RI. Although RBC GAM's Our Approach to Responsible Investment supports a strong stewardship program, there is some flexibility for clients to specify areas where they wish to deviate from our approach. For example, clients may choose to manage their own proxy voting activities, or apply specific exclusionary screens based on ESG factors.

Providing outstanding service to clients is foundational to our institutional client approach. Through regular meetings with their institutional portfolio managers and/or client directors, clients provide their views on investment performance and matters that are material to them and their portfolios, including any changes in their investment goals or policies. RBC GAM explicitly seeks client views on emerging trends and issues, including those related to ESG, as they arise to help ensure that we understand clients' perspectives. Through regular, in-depth communication and engagement with clients, we are able to develop and maintain an understanding of clients' views and appropriately reflect these in each client's Investment Policy Statement, and in the manner in which the mandate is managed.

In addition, surveys can be an important tool for formally engaging with our clients and identifying ways we can enhance our offerings and communication. As well as taking part in external surveys, we commission our own bespoke surveys to give us detailed knowledge of how clients view our investment, relationship management, operational capabilities and communication. Outside this, we receive direct investor feedback on our offering and performance on a continuous basis when we are prospecting for new business, engaging with existing clients and speaking with the market more broadly.

Meaningful client reporting

In order to facilitate effective client conversations and to help ensure we are continually meeting our clients' stewardship and RI needs, we publish the following reports and disclosures on a regular basis:

Method of communication	Type of information
Institutional client reporting	**Stewardship reporting** We distribute quarterly reports for institutional clients, upon request, that provide updates on our stewardship activities, including engagement case studies and proxy voting, and updates on our ESG integration approaches, where relevant. Several investment teams provide additional client reporting on RI and stewardship, specific to their investment strategies. For example, the RBC Global Equity team distributes a quarterly Owner's Perspective Report to clients, the BlueBay Fixed Income team distributes quarterly ESG reporting for several strategies where requested, and the RBC Emerging Markets Equity, RBC European Equity, and RBC Asian Equity teams publish annual ESG reports for clients. In 2023, the RBC Emerging Markets Equity team also published its inaugural Climate Report designed to supplement its annual ESG report. In addition to these, investment teams may also publish ESG insight articles, which are made available to clients through the RBC GAM website or direct communication. For example, in 2023, RBC BlueBay investment teams published insights on the vulnerability of water companies in the current economic cycle, measuring social factors through Europe's Social Taxonomy, and the growing importance of ESG reforms in emerging markets.
Institutional client reporting	**ESG reports** Institutional clients may request reports with additional ESG-related metrics, such as the carbon footprint of their portfolios. The frequency of these reports is generally based on client need and preference. In 2023, we began providing institutional clients in some jurisdictions with portfolio climate reports for their portfolios, upon request. These were produced to meet the regulatory requirements of the UK FCA ESG Sourcebook and include the following portfolio-level climate metrics: carbon emissions, exposure to carbon intensive assets, investment in issuers with climate targets, temperature alignment, and climate scenario analysis.
Public disclosure	**RI policies** RBC GAM publishes our governing RI policies on our website. Our Approach to Responsible Investment is RBC GAM's overall policy on RI, which describes the methods we use in our ESG integration, our stewardship activities, and our reporting. Our Approach to Climate Change is aligned with the key pillars of Our Approach to Responsible Investment and describes our actions and commitments specific to climate change.
Public disclosure	**Proxy voting disclosures** We publish our Proxy Voting Guidelines, which are reviewed and updated annually to reflect current issues. RBC GAM also discloses our proxy voting records on our regional websites in accordance with applicable regulations.
Public disclosure	**Reporting on our RI commitments** We publish reports annually related to our commitments to the UN PRI, the UK Stewardship Code and the Japan Stewardship Code, as well as an annual Climate Report, guided by the recommendations of the TCFD. These reports are available on our relevant websites.
Public disclosure	**ESG insights** We publish ESG insight articles on a variety of ESG-related topics throughout the year. This has included topics such as: perspectives on biodiversity and COP15, why climate-related financial disclosure matters, insights into the upcoming proxy season, and more. ESG insight articles are publicly available on our website.

Integration of client feedback

RBC GAM integrates clients' views and feedback into our investment approach, stewardship activities, and reporting, where appropriate. The manner with which insights are integrated depends on the type of feedback or request (e.g., knowledge building, disclosure, investment approach), the scope of applicability of the feedback or request (e.g., one client or many), and the type of client (e.g., individual investor or institutional).

For example, for our institutional clients, we are able to integrate their specific needs through segregated portfolios, which can include specific constraints or considerations that reflect their investment goals. In some cases, we will also consider segregated clients' specific views when we analyze proxy voting proposals or are engaging with companies (see Principle 12) within these portfolios.

For matters that are material to a broad spectrum of individual investor and institutional clients, we may:

- Integrate additional data or research sources into the ESG processes of our investment teams, to help ensure that they are well equipped to monitor and manage emerging material ESG trends.
- Integrate views, manage systemic risk, and collaboratively engage through our collaborative initiatives, such as the UN PRI, the 30% Club Canadian Investor Group, and Climate Action 100+.
- Update our Proxy Voting Guidelines to help ensure we are addressing the matter in a way that is consistent with the best interest of portfolios.
- Launch additional client or public reporting on those ESG trends that are material to our clients and the investments we manage on their behalf.
- Engage RBC GAM's Product Team to develop a broader investment solution to respond to client demand and serve the entire group of clients.

The following are a few examples of actions RBC GAM has taken in response to specific client feedback in 2023:

Addressing requests for increased disclosure and transparency on climate-related metrics	In 2023, we continued to engage with individual investors and institutional clients on the transparency of climate-related metrics in their investments . To address client questions, RBC GAM: ▪ Developed quarterly Portfolio Climate Reports that are available to clients in some jurisdictions upon request. These reports include the following portfolio-level climate metrics: carbon emissions, exposure to carbon intensive assets, investment in issuers with climate targets, temperature alignment, climate scenario analysis. These reports were developed to meet the regulatory requirements of the UK FCA ESG Sourcebook. However, we are actively considering how the infrastructure can be leveraged to enhance our reporting to clients more broadly. ▪ Produced a detailed Methodology Guide for Portfolio Climate Reports that is available to clients and describes the climate metrics that we measure and report on, how these are calculated, data sources and additional methodology details.
Seek to clarify and improve our methodology for calculating ESG metrics	We have continued to develop reporting capabilities that meet ESG-related regulatory requirements, such as the SFDR. Many of the disclosure requirements are novel, requiring new data and new calculations. Further, we continue to refine our existing methodologies to provide our clients with meaningful insights. In 2023, RBC GAM: ▪ Continued to take steps to identify additional data sources and/or explore climate-related methodologies that would enable the inclusion of additional asset classes in our climate reporting. As a result, in the RBC GAM Climate Report 2023, we have included the disclosure of climate-related metrics for RBC GAM sovereign bond investments. ▪ During 2023, we improved procedural calculations for the requirements embedded in the SFDR's Principal Adverse Impact (PAI) Indicator and for climate-related reporting. These efforts will help with required regulatory documentation and future client requests.

Provide perspectives on how we consider nature-related risks and actions we are taking in this area	We first published our perspective on climate change and nature-related risks and the actions we are taking in our RBC GAM Climate Report 2022. We provide additional disclosures in the RBC GAM Climate Report 2023 that includes discussion and analysis of nature-related risks, including our exposure to nature-related dependences and impacts for priority sectors, and issuers with operations in sensitive locations. In 2023, we published an insight article on the potential materiality of nature-related risks to investments.
Refining our reporting and deliverables to best serve our clients	We consider the effectiveness of our stewardship reporting on an ongoing basis, taking into consideration client feedback, usage, resources required, and duplicative efforts. As we continue to enhance our ESG-related reporting capabilities, in 2023, we discontinued two ESG-related reports. **Semi-Annual RI reports** Given the comprehensiveness of reports such as our annual UK Stewardship Code filing and Climate Report, and considering limited usage of our semi-annual reporting, we decided in 2023 to stop producing our Stewardship in Action, RI semi-annual reports. In particular, we identified that shorter insight pieces with similar information – such as previews for the upcoming proxy voting season – often had more interest from clients, complementing our more comprehensive reporting. **Annual RI Survey** Our Annual RI Survey was designed to summarize the latest views, actions, and intentions of institutional investors and consultants related to RI and ESG. After six successful years, we were able to complete a five-year retrospective look. Subsequently, we identified duplication with other market surveys and discontinued our survey.
Developing investment products to meet client demand	The team continues to work on new investment strategies to help meet our clients' evolving needs on ESG. For example, during 2023 we transitioned one of the pooled Undertakings for the Collective Investment in Transferable Securities (UCITS) funds managed by the BlueBay Fixed Income team to have an Article 8 classification under SFDR, as a result of changes made to the ESG investment framework in place. The change was as a result of a collaborative process between ourselves and the underlying investors within the fund.

Measuring success

We believe that our level of client engagement and reporting is effective in keeping our clients well-informed of progress towards their investment goals. In addition to regular institutional client performance meetings, we also gather specific client feedback and evaluations of our performance as their asset manager to help ensure that our institutional clients' investment goals are being met through our investment and stewardship activities.

These evaluations have confirmed that our methods of gathering and responding to clients' views, as outlined in this section, continue to be effective. In particular, recent interactions with institutional clients on net-zero have been particularly positive with clients' expressing their appreciation for the new disclosure of net-zero alignment portfolio metrics.

Asset growth and client retention is another indicator we use in assessing the effectiveness of meeting our clients' needs in both individual investor and institutional markets. We track this data both internally and via third-party surveys and sales data.

RBC GAM may unintentionally contravene client guidelines from time to time. Examples include investments in a restricted issuer or breaching the concentration limit for an asset class, sector, or industry. In such cases, we conduct an internal investigation and, if required, notify the client and any appropriate regulatory bodies in accordance with regulatory and/or mandate requirements.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

ESG factors are investment factors

At RBC GAM, investment teams consider material ESG factors when making investment-related decisions within the portfolios that they manage, for applicable types of investments. We believe that issuers that manage their material ESG risks and opportunities effectively are more likely to outperform on a risk-adjusted basis, over the long term.

Our investment teams have their own processes for integrating material ESG factors and for determining materiality, drawing from tools like the SASB materiality matrix, internal research and resources, speaking with industry experts, and sell-side and external research.

Examples of how our teams may determine materiality in asset classes include:

- **Equities**: Prioritize ESG factors that could impact companies' long-term value by impacting revenue growth, operating costs, and/or companies' reputation among customers and suppliers.
- **Corporate fixed income**: Prioritize ESG factors that could impact the company's ability to repay its debt or that would affect the company's cash flow, reputation, or other factors.
- **Government fixed income**: Prioritize ESG factors that could impact the issuer's ability to repay its debt or the issuer's reputation among debt investors/lenders. Political risk and corruption tend to be among the most material factors affecting sovereign issuers.
- **Fixed income; securitized credit**: ESG integration in securitized credit is particularly nuanced, as investors must take into account the specific characteristics of the assets being considered. These include the level at which ESG factors can be assessed and visibility of underlying collateral. For example, with regard to CLOs, ESG factors may be assessed at both the manager level and the underlying collateral pool, whereas for asset-backed securities and mortgage-backed securities, ESG factors may be assessed at the originator, servicer and underlying collateral level. The materiality of specific ESG factors in each instance may vary. In general, governance is typically more material at the manager, originator and servicer level, and environmental and social factors are typically more material at the underlying collateral level.
- **Real estate, mortgages, & infrastructure**: Prioritize ESG factors that could present a direct physical risk to the real assets that underlie these investments, or that could affect the revenues or costs for operating assets. Physical climate change risks are among the most material for these investments. ESG factors that affect profitability from tenants may also be material in some cases.

As noted above, in addition to sector and industry, the materiality of ESG factors may depend on the location of an issuer and the regions in which they operate. For example, issues related to human rights, supply chain management, and corruption are more prevalent in emerging and developing economies than developed markets.

Finally, materiality may also differ depending on asset type. For example, ESG matters can be less material for sub-asset classes like money markets, asset-backed securities, and cash, while they may be more material for the asset classes mentioned above.

Although any ESG factor may be material depending on the issuer, corporate governance and climate change are of particular importance to RBC GAM. We believe that issuers with good corporate governance practices are better able to focus on long-term, sustainable growth; pose less risk for equity investors due to proper alignment of management and shareholder interests; are more likely to issue fixed income instruments with higher credit quality and lower credit risk; and are more likely to effectively manage the issuer's exposure to material environmental and social factors.

Additionally, we recognize that the impacts of climate change are systemic, unprecedented, and already apparent. Although climate change has the potential to affect the global economy, the economic impacts on specific markets, regions, and investments are complex, varied, and uncertain. Therefore, we believe that it is important to consider climate-related risks and opportunities in our investment analysis and decisions, and have developed Our Approach to Climate Change, which describes our commitments and actions.

Our approach to ESG integration

As stewards of our clients' assets, we are committed to ensuring that our stewardship activities are in the best interests of our clients and in line with their goals and expectations. In executing on our commitment to integrate material ESG factors into our investment processes, we apply several overarching principles. Our approach to ESG integration:

- **Is investment-led**
  Our investment teams have developed their own methods to integrate material ESG factors into their respective investment analysis and decision-making processes, for applicable types of investments. This approach allows our investment teams to tailor the ESG integration tools and resources to their investment methodologies. The ESG integration activities undertaken by each team reflect the best interests of our clients and the time horizon of our investment strategies.
- **Focuses on materiality**
  Our investment teams focus on those ESG factors that they have determined may impact the value of the investment. The extent to which an ESG factor is considered material depends on several items. For corporate issuers this can include the issuers' operations, industry, size, geographical footprint, and the nature of the investment vehicle for which it is being purchased. For sovereign issuers, material ESG factors can depend on the country's status of economic, social and political development, availability of and dependence on natural resources, and potential regional issues, among other factors, and the nature of the investment strategy for which it is purchased.
- **Continuously improves and innovates**
  The culture at RBC GAM revolves around innovation, continuous learning, and harnessing the power of human and machine. Our investment teams explore new ways to integrate material ESG factors into their investment approaches. Some of our continuous learning initiatives include: firm-wide ESG education sessions with external experts and speakers, an internal ESG network where our investment teams share perspectives on ESG topics, and a monthly internal newsletter on new developments in RI.

We also engage a number of external ESG research and data providers to support the ESG integration processes of our teams. A list of our principal research and data providers can be found in Principle 2. Details on how we strive to ensure our service providers' methodologies and implementation are consistent with our approach to ESG integration are outlined in Principle 8.

In addition, proxy voting, engagement with issuers and regulators, and collaboration with like-minded investors and associations are important pieces of our active stewardship activities. More details on each are provided in Principles 9, 10, and 11. Information gathered from proxy voting and engagements with issuers may be used in the investment decision-making processes of our teams.

ESG integration case studies

The following case studies demonstrate some of the ways that investment teams have integrated material ESG considerations into the investment decision-making process, and how information from their integration and stewardship activities has directly informed their purchase, monitoring, and exit decisions in 2023.

PUBLIC EQUITIES

RBC Asian Equity team

Approach

The primary focus of ESG integration for the RBC Asian Equity team is risk mitigation. The team seeks to avoid investing in companies with management teams that have incentive structures that enable unscrupulous practices and/or allow companies to abdicate their responsibilities to stakeholders. The team focuses on companies with long-term viability, good corporate governance, and high returns, and works to produce portfolios that generate alpha. The portfolios also tend to exhibit positive ESG characteristics, such as low carbon intensity, relative to the benchmark.

The team conducts due diligence on ESG matters by directly engaging with management for portfolio holdings, often over multiple years. Material ESG issues are integrated into company engagements, documented via ESG checklists and investment initiation reports, and monitored and discussed for material changes throughout the lifetime of the investments. More information on the ESG integration practices of the RBC Asian Equity team can be found in the team's latest RBC Asian Equity ESG Report.

CASE STUDY: Human Capital Management

Objective:

Monitor how an existing holding is managing potential business risk from its reliance on highly skilled staff.

Analysis:

A software engineering company began expanding its hiring to non-experienced part-time workers to address labour shortage issues. Its efforts to offer standardized training and exams helped new workers build capability faster and workers were motivated. Clients also benefited from quicker responses and better pricing. The company's explicit key performance indicator on human capital productivity was driving both employee satisfaction and the long-term growth of the business.

The company had taken tangible measures to improve relevant ESG risk management programs. For example, it now has annual employee surveys and it discloses the results, it has disclosed a policy that provides protection to whistleblowers, and it offers strong welfare programs to contract employees. Attracting and retaining qualified employees is particularly crucial for the company's long-term growth and the company's explicit measures are helping to keep the attrition rate well below industry average levels.

Outcome:

The team's due diligence provided assurance that workforce-related ESG risk was being managed well. External ESG research vendors have also taken notice and their scores assigned to the company have been improving meaningfully; for both how company's efforts are benefiting the business and the industry in general. The team believes the company continues to be a leader in ESG in this regard and will continue to monitor the company closely on other areas, such as governance.

PH&N Canadian Equity team

Approach

The PH&N Canadian Equity team's ESG integration process focuses on ESG issues that may materially impact the future value of the stock being evaluated, positively or negatively.

The team uses its internal ESG scoring framework, ESG data, and due diligence to assess companies' ESG performance and the materiality of ESG risks and/or opportunities. The team also uses a relative ranking methodology to compare securities to others in the same sector on ESG performance. The ESG scores and analysis are incorporated into the team's overall investment research and conviction score, which drives security selection and portfolio construction. Material ESG factors are monitored over time for securities in the portfolio.

CASE STUDY: Aerospace and Defense (A&D) Company Scope 3 Emissions and Governance Concerns – Update

Objective:
Match investment weight with re-assessed conviction level in an A&D stock.

Analysis:
The PH&N Canadian Equity team reconsidered its weighting in an A&D company with significant exposure to commercial and business jet travel. Upon further review of the A&D sector, the team determined that despite the attractive two- to five-year industry growth outlook, a reduction in the terminal growth rate, and thus terminal value, of the business was justified due to the significant carbon emissions from airlines, and especially business jets. The team believes that there is material risk that carbon taxes may impact demand growth over the long term. In addition, in the following quarters, the company delayed the reporting of its financial statements.

Outcome:
The company's exposure to emissions-related risks and the governance concerns associated with the delayed financial statements reduced the team's conviction in the business. The team reduced its position size in the company.

Update:
After several follow up meetings with the management team, the team gained sufficient confidence in the company's financial reporting controls to maintain a small overweight position in the company.

RBC Emerging Markets Equity team

Approach

The RBC Emerging Markets Equity team approaches ESG analysis in the same manner as financial metrics, as the team believes ESG matters may have a material impact on a company's long-term performance.

ESG analysis is integrated throughout the team's research platform. Top-down research is conducted on specific ESG themes, and bottom-up ESG analysis at a security level is considered as part of portfolio construction through the team's investment scoring methodology. The team uses its ESG scoring methodology to identify companies with leading ESG practices. The team conducts additional independent research and engages directly with companies, and monitors ESG factors throughout the lifetime of the investment. More information on the team's ESG integration activities can be found in the latest RBC Emerging Markets Equity ESG Report.

CASE STUDY: Science-based Targets Initiative Targets (SBTi) in Information Technology (IT)

Objective:
Clarity on carbon emissions targets.

Analysis:
The team engaged with a large Taiwanese IT company on carbon emission targets for further clarification on the company's path to its 2030 emissions and 2050 carbon neutrality targets, and in particular, on why the latter falls short of the SBTi guidelines. The SBTi is an international partnership between the UN, CDP and World Wildlife Fund, and together these organisations have developed sector-based standards for setting science-based and net-zero targets and verifying companies' targets against these standards. This provides an independent, third-party verification of the scope, ambition, and temperature alignment of a company's climate targets. While the team doesn't believe in questioning management on how to manage its business, it felt disclosure on net-zero alignment could be improved. Management explained that the company's accelerated business growth and changing demand forecasts have required constant capacity plan adjustments. In addition, the company is working on various projects spanning the use of new materials, machineries and processes that involve hundreds of different parties and suppliers, making it very difficult to break down carbon dioxide (CO_2) reductions item-by-item. Nevertheless, it remains committed to its roadmap to net-zero emissions, as outlined in its Corporate Sustainability Report, and to reducing emissions from its operations and across the supply chain. The explanation above forms the basis of why management has not yet subscribed to the SBTi. This initiative requires companies to consistently reduce carbon emissions from the latest reported period, on a yearly basis. In addition, company growth has accelerated and the related capacity increase has outpaced the growth of renewable energy supply from the country of operations. The company expects that its CO_2 emissions are likely to moderately increase until 2025, and then gradually decrease thereafter until the first CO_2 milestone target is reached in 2030. The company will continue to evaluate the best timing to commit to the SBTi.

Outcome:
Overall, the team felt satisfied by the discussion and will continue to monitor and measure the company's progress in this area.

RBC European Equity team

Approach

The RBC European Equity team sees ESG integration as important to risk management and a way of identifying additional investment opportunities. ESG research and analysis occurs alongside financial analysis as part of the team's deep-dive, fundamental research, which focuses on issues that may materially impact companies in which the team is considering or is already invested.

CASE STUDY: Sustainable Infrastructure Technology – Update

Objective:
Clarity on ESG disclosures and emissions reduction targets of recent investment.

Analysis:
The RBC European Equity team was initially drawn to a Swedish infrastructure technology company as it has seen the success of other high-quality Swedish conglomerates. The company focuses on acquiring companies that service underinvested infrastructure segments in Europe. Some of the company's businesses focus on environmental needs such as the rollout of electric vehicle charging stations or control systems for more efficient water use in water treatment plans. Other businesses focus on social issues such as reduction of traffic incidents through digital speed cameras and traffic monitoring.

As part of the team's investment research process, it engaged with management in 2021 and learned that the company was planning on releasing sustainability targets. The company had already mapped out its operations and the ways in which its businesses contributed to 13 of the 17 United Nations Sustainable Development Goals (UN SDGs). A week after the team's engagement, the company released its sustainability goals, which included: a target acquisition to contribute to at least one additional UN SDG; a 50% reduction in its carbon intensity over the next five years; gender equality in leadership roles by 2030; and compensation incentives linked to sustainability goals.

Incorporating this information with its overall investment research, the team felt comfortable that the company was both a key enabler in reducing emissions and sustainably managed for the long term. Therefore, the team invested in the company in relevant portfolios.

Outcome:
Overall, the team felt comfortable maintaining its investment, but realized the company will need to have better disclosure as it grows as a business so it is not inaccurately scored by ESG research providers, and potentially losing investors as a result.

Update:
In 2022, the team met with the company to discuss an ESG research provider's report that rated it as trailing peers in a few categories due to lack of disclosure. In addition, the investment team wished to clarify the company's emission reduction targets, which were set on a relative basis. In terms of the sustainability reporting and disclosure, the company made large strides to be in line with NASDAQ and European reporting requirements. Regarding research from ESG research providers, the company noted it was still working on engaging with them, as there are many, and there is not necessarily a gold standard in terms of requirements. However, the company assured the team it is always looking at opportunities in clean technology and its business provides clean technology opportunities.

In terms of the emission reduction targets being on an intensity basis, the company chose this approach because of the acquisitive nature of the business. It may acquire businesses that are more carbon intensive at the time of purchase before they are integrated and follow the standards of the group. The company sets goals on a local level for each business in its portfolio to reduce the group's emissions.

2023 update:
Disclosure has continued to improve and third-party ESG research providers appear to have noticed. For example, the MSCI ESG rating increased to 'AA' noting the improved decarbonization initiatives of the company. The investment team met with the company and discussed the upcoming transition with the CEO retiring and the CFO taking over as CEO. Management confirmed there won't be a change in the strategy as things are continuing to progress well. The company will remain focused on buying niche infrastructure companies and these companies are required to have at least one UN SDG as part of its core business. The RBC European Equity team sees this company continuing to mature and improve on its disclosures while delivering on its stated targets.

RBC Global Equity team

Approach

The RBC Global Equity team believes that over the long term, investing in great companies at attractive valuations generates value for shareholders that exceeds the return from the average company or the market. The team believes that by evaluating the performance of extra-financial factors, including material ESG factors, it is able to reduce risk, uncover alternative sources of alpha, and achieve a responsible allocation of capital.

ESG research and data is assessed as part of the fundamental analysis that comprises an investment's stock review report. An internal ESG score is developed, and the results of ESG analysis and scoring may be directly integrated into the financial model for that investment and ESG factor-driven scenario analysis, when material. Material ESG factors are further monitored at both the portfolio and investment levels throughout the lifetime of the investment.

CASE STUDY: ESG at a Healthcare Company

Objective:
Due diligence on a potential new investment.

Analysis:
The investment team completed a comprehensive company assessment that encompassed competitive dynamics and ESG, as well as stock valuation, and was informed by management meetings and broader research. The company was assessed as being a global ESG leader, with a strong triple bottom line (people, planet, profit), led in part by its affiliated foundation.

The company has strong net-zero and broader climate commitments, including piloting a pioneering take back program to enable recycling of medical devices. Furthermore, management is very strong, and the company presents a strong net benefit to broader stakeholders through life saving medicines for diabetes, obesity, hemophilia, and growth disorders. This business model aligns with the investment team's philosophy, with the net benefit view increasing the long-term valuation of the stock (and its dividends).

Outcome:
As a result of its analysis, the team believes that the company's industry-leading measures should put the company in an advantaged position to capture market share. This contributed to the team determining that the company was an attractive investment opportunity.

RBC North American Equity team

Approach

The RBC North American Equity team integrates ESG factors by researching and analyzing key themes and trends affecting sectors and companies, and incorporating these alongside the team's fundamental analysis, where material.

Among other tools, the team employs an internal questionnaire to identify ESG factors that could impact the profitability and sustainability of applicable companies the team invests in. In doing so, the team seeks to understand the financial and reputational impacts of these factors, assess the degree to which they are reflected in the current valuation, and incorporate material factors into the overall investment decision. The information and analysis gathered through the team's ESG questionnaire framework can further be incorporated into scenario analysis and ongoing portfolio monitoring, when it is found to be material.

CASE STUDY: Energy Transition Risks for Canadian Energy Producers

Objective:
Identify risks and opportunities related to the energy transition for Canadian oil and gas producers.

Analysis:
The RBC North American Equity team expects the demand for fossil fuels to continue in North America for some time given the improving cost structure, low maintenance capital requirements, and strong regulatory regime. The emissions intensity of fossil fuel production is in focus and Canada's largest producers have made commitments to reduce absolute emissions over the coming decades through a variety of technical applications and production methods. In addition, there are a number of regulatory changes pending that will impact the industry including rising Canadian carbon taxes, clean fuel and electricity regulations, and federal commitments to lower Canada's emissions. The team has been analyzing the potential impact on the profitability of Canadian energy companies because of compliance with the emissions reduction commitments and regulatory changes. Over the past three years, the team has conducted numerous engagements with corporate executive teams and boards of directors from Canada's largest energy producers to understand the approach to reducing Scope 1 and 2 emissions, risks and costs associated with deploying technology to reduce and capture carbon emissions, and potential risks to access to capital. Given that the regulatory regime continues to evolve and technology development is progressing, the analysis and engagement activity is ongoing.

Outcome:
The energy transition will occur over decades and the team continues to analyze the impacts of this on commodity fundamentals, capital requirements, operating costs, taxes and ultimately energy producer profitability and sustainability. The team has noted progress on the part of Canadian energy producers to invest in and test emissions reduction technologies to meet their emissions reduction targets. The team continues to engage with the companies on their approach to managing the risks associated with the energy transition, emissions reduction targets, and potential investment opportunities that could arise with new and emerging technologies.

RBC U.S. Growth Equity team

Approach

The RBC U.S. Growth Equity team seeks to invest in quality companies that operate in attractive end markets, are market leaders, are gaining share, and have management teams that both enhance operations and have positive track records of capital allocation. The team believes that companies that outperform their peers on material ESG factors have the potential to generate added value to shareholders. ESG research and analysis is integrated as part of the initiation process for evaluating new companies and potential investments within the team's coverage universe, and material factors are monitored throughout the lifetime of the investment. ESG risks and performance are also monitored on a portfolio level, and additional analysis is undertaken when material changes or events occur.

For U.S. small-capitalization issuers in particular, governance-related issues like board composition, executive pay, and quality of management are typically the most material ESG factors. In addition, companies in this market tend to be earlier in their ESG disclosure journey, so the RBC U.S. Growth Equity team often relies on external data and direct engagement with companies to gather information and understand how these issuers are managing material ESG factors.

CASE STUDY: Governance Risks in New U.S. Small Cap Issuers – Update

Objective:
Analyze initial public offerings (IPOs) and special purpose acquisition companies (SPACs) for potential inclusion in portfolios.

Analysis:
In recent years, the RBC U.S. Growth Equity team has seen hundreds of IPOs and SPACs added to the Russell 2000 Growth Index. In analyzing these additions, many issuers exhibited questionable governance practices, including unfavourable ownership structures and board composition. Many IPOs also employed dual-class share structures, which limit minority shareholder voting rights. Several were classified as company-controlled, which generally does not require the same standards for internal controls and overall governance.

Outcome:
Due to the lack of governance foundation, the team took a material underweight position on this segment of the U.S. small-cap market and only invested in one issuer of the dozens analyzed. The issuer in which the team did invest exhibited exceptional business fundamentals, though the team maintained an underweight position and monitored the associated governance risks.

Update:
Since going public, many of the IPOs and SPACs issued in 2021 were trading well below their issue price. Given the aforementioned governance concerns identified, the team avoided the vast majority of these names, and this has ultimately contributed positively to its portfolios' performance. These developments emphasized the importance of governance considerations in the team's investment decision-making process and led to further discussion on the importance of such considerations before recommending a stock for the investment team's stock short-list.

RBC U.S. Value & Core Equity team

Approach

The U.S. Value & Core Equity team focuses on companies with low valuations with financial strength. The team manages for overall risk through strong valuation and sell discipline, diversification, as well as limits on individual stocks and sectors.

ESG analysis—both risks and opportunities—is incorporated into the investment process. An ESG discussion accompanies new investment ideas, and maintenance of the ideas in the portfolio involves an ongoing monitoring of relevant management comments, proxy discussions, as well as third-party vendor white papers and their ESG ratings.

CASE STUDY: Energy efficient cooling systems

Objective:
Understand issuer's strategy on new product line for liquid cooling solution.

Analysis:
At both mid-year and year-end, the RBC U.S. Value and Core Equity team engaged with a manufacturer and distributor of integrated server and IT solutions for enterprise and hyperscale companies. The engagements included discussion of their design and the development of a leading-edge liquid cooling solution that helps lower the carbon footprint for high-compute data centers. Part of the company's growth strategy involves capacity investment in this innovative liquid cooling compute solution to better support rapidly increasing global computing demand. The company's solution helps customers meet ambitious energy efficiency goals while improving the company's own carbon footprint.

Outcome:
The RBC U.S. Value and Core Equity team better understood how the issuer's product range is meeting demand for more energy efficient cooling, which is a potential growth area for the issuer.

RBC Quantitative Investments team

Approach

The RBC Quantitative Investments team has integrated ESG into its systematic quantitative investment process. Given the team's belief that inferior ESG characteristics (management of and/or exposure to material ESG-related risks) will elevate investment risk, it integrates two ESG controls directly in its models, for applicable portfolios. First, it controls the exposure to assets that rate poorly on ESG characteristics. Second, it controls the portfolio's average ESG characteristic exposure so it exceeds a pre-determined threshold (the minimum ESG threshold for each portfolio is based on the ESG characteristics of its underlying index.) These restrictions were set in a way that does not negatively impact the investment propositions of the team's strategies. The investment propositions apply across broad and diverse universes and are robust to restrictions on a modest subset of the universe (up to 10% or more for large universes). As part of the implementation process, the team monitors various third-party provider ESG data points for its portfolios and maintains an internal ESG dashboard for this purpose.

The team expects that the increasing importance of ESG will elevate risks to investments with poor ESG characteristics and could provide tailwinds to investments with positive ESG characteristics.

CASE STUDY: Governance data testing

Objective:
Test board composition data for potential addition to the investment team's alpha model.

Analysis:
The RBC Quantitative Investments team worked with the RI team to research factors related to a company's board of directors composition. Specifically, the team reviewed board composition factors such as board size, economic ownership, board independence, and director tenure, among others. The investment team applied its alpha testing framework.

Outcome:
After executing the quantitative investments alpha testing framework and assessing factor performance accordingly, the investment team did not find alpha within the tested factors. As a result, the team did not add the tested factors into its alpha model. However, the research did yield some interesting results that the RI team will investigate further for potential use by discretionary investment teams or in RBC GAM's stewardship activities.

FIXED INCOME

BlueBay Fixed Income team

Approach

BlueBay Fixed Income team analysts conduct ESG evaluations as part of their fundamental credit research, with the ESG team reviewing the outputs, where applicable. This process applies across the BlueBay fixed income investment platform, which includes strategies like Global Fixed Income, U.S. Fixed income, and U.S. Impact Investing, among others. It enables identification, assessment, and documentation of material ESG risks and determines the extent to which these risks are considered material for issuers and the securities they issue. ESG evaluations are undertaken for both corporate and sovereign issuers for in-scope investments.

The BlueBay fixed income investment platform issuer ESG evaluation framework results in two distinct but complementary proprietary ESG metrics:

- *Fundamental ESG (Risk) Rating*, which indicates a view on the quality of management of material ESG risks faced by the issuer. Issuers' Fundamental ESG (Risk) Ratings are assigned at the issuer (or entity) level based on a five-point scale, which can be 'very low', 'low', 'medium', 'high', or 'very high'. The assignment of this rating is a shared responsibility between the investment analyst and a fixed income specialist of the RI team, for in-scope investments.
- *Investment ESG Score*, which reflects an investment view on the extent to which the ESG risk factors (as denoted by the Fundamental ESG (Risk) Rating) are considered investment material and to have an impact on valuations. This is a security/instrument-specific assessment, assigned at the issuer level, and which ranges from -3 through to 0, to +3. The Score is generated and owned by investment professionals.

These two data points enable the investment team and the RI analysts to express their ESG views on an issuer. The metrics can then be used by portfolio managers to inform portfolio construction decisions.

CASE STUDY: UK Water Utilities

Objective:
Identify risks and opportunities in water sector following controversy.

Analysis:
Over the reference period the team continued its engagement with the UK water utilities, as well as with industry regulator (OFWAT) and the UK government department (DEFRA), with a focus on illegal discharges of untreated sewage from combined sewer operations (CSOs), usually triggered by storm overflows. Despite commitments to improve in 2022, the Environmental Protection Agency (EPA) found no improvement in pollution incidents. As the team anticipated, storm overflow discharges came under increased scrutiny and the regulator introduced a requirement for all water companies to monitor 100% of storm overflows by the end of 2023.

Outcome:
Following the ongoing analysis and engagements efforts, the team added another water utility to its existing holdings, reflecting the view of its best-in-class practices, recognized by the EPA in its maximum four-star award.

RBC European Fixed Income team

Approach

The RBC European Fixed Income team, part of the RBC Global Fixed Income and Currencies team, believes that material ESG factors may impact investment returns over the long term. The team assesses ESG factors for dual purposes: risk management and identifying alpha opportunities within its investment universe.

The team assesses ESG factors as part of its quantitative screen for investments in each sector. In this way, the team ranks the 800+ European corporate issuers within the investment universe based on issuers' ESG and credit profiles relative to their sector peers. This enables the team to identify companies with strong or improving credit fundamentals to be shortlisted for inclusion in portfolios, while avoiding those with lower rankings. For potential investments, due diligence on ESG factors is conducted and included in the credit research report for the issuer. Security selection and portfolio construction decisions are made holistically, taking into consideration both financial and ESG performance. Material ESG factors are monitored throughout the lifetime of investments.

CASE STUDY: German Pharmaceutical Company

Objective:

Due diligence on a German pharmaceutical issuer's governance and product safety practices.

Analysis:

In 2023, the RBC European Fixed Income team analyzed a German pharmaceutical company's governance and product safety practices as part of its due diligence of the company for potential investment. The company has been facing long-standing challenges stemming from product safety concerns, as well as its environmental impact. The investment team met with the company's dedicated ESG Investor Relations team to discuss the progress on its environmental objectives and the recent shift towards a greater focus on sustainability with the appointment of a new CEO. The team noted that the CEO role had been merged with the role of Chief Sustainability Officer, with 20% of remuneration being linked to sustainability objectives, reinforcing the company's commitment to its goals.

The team also questioned the company on its ongoing litigation related to product safety, as well as the risk of future litigation. The issuer has voluntarily elected to re-certify its products in Europe in order to strengthen its safety claims, while making a strategic decision to settle select cases to avoid outsized legal costs.

Outcome:

As a result of its analysis, the RBC European Fixed Income team determined that the company's focus on sustainable practices underpinned its strong credit quality. Therefore, the team decided to continue holding the issuer's bonds within the team's portfolios.

PH&N Fixed Income team

Approach

The PH&N Fixed Income team's key objective is to add value while managing risk and the team's ESG integration approach aligns with this objective.

The team conducts research and analysis at the sector level, which includes an assessment of material ESG factors, themes, and trends affecting that sector. The team then completes in-depth fundamental and ESG analysis at the issuer level, gathering information from multiple sources including direct engagements. Ultimately, the team's analysis forms the basis of a credit report and an internal ESG score, which is used to inform security selection and portfolio management. Material ESG issues are monitored throughout the lifetime of the investment.

CASE STUDY: Labelled Issuance

Objective:
Form a view on quality of an entity's labelled bond issuance

Analysis:
The team engaged with a regional development bank to gain a better understanding of the company's ESG-labelled bond program and governance policies. Throughout the discussion, the team learned that the company did not have an International Capital Market Association (ICMA)-compliant social bond program. While compliance with ICMA is not an absolute necessity, the investment team felt the existing framework and subsequent use of proceeds reporting did not meet the team's expected standard of disclosure. In addition, the team felt the issuer did not sufficiently mitigate concerns around its approach to project evaluation, ongoing milestone tracking, and post-completion monitoring. For example, there was limited detail provided on stalled or cancelled projects where partial disbursements have been made. Further, certain governance risks were identified, which included potential for political risk exposure and country concentration. The team provided its feedback and suggestions for improvements to the issuer.

Outcome:
On the back of this, the team felt investing in the social bond issuance from this entity would not be suitable at this time.

RBC High Yield Fixed Income team

Approach

The RBC High Yield Fixed Income team, which is part of the RBC Global Fixed Income and Currencies team, assesses material ESG factors for potential and current portfolio investments. Material ESG factor analysis is incorporated into the credit review process. Where material data is available, the analysis may include metrics, trends, and peer and industry comparisons. Material ESG risks and opportunities are considered holistically in the investment analysis, in conjunction with the other details included in the credit assessment.

CASE STUDY: Satellite/Telecom Company

Objective:
Reassess investment thesis on realized governance concerns.

Analysis:
The company is a large satellite TV provider, with significant spectrum holdings, and is rolling out a nationwide mobile broadband/voice service. A comprehensive company assessment was made when the investment was first initiated which identified an interesting investment opportunity, but also highlighted significant governance concerns including its multi-class share structure, board composition and lack of independence, and controlling shareholder. As the company's credit profile deteriorated, making it more difficult to fund required network investments, the company proposed distressed exchanges with certain bond investors to reduce debt and extend maturities. It also shifted substantial valuable assets into unrestricted subsidiaries moving valuable assets away from existing bondholders.

Outcome:
A reassessment of the risks and opportunities of this investment led the team to conclude that management's interests posed a greater risk to bondholders than initially expected. The decision was made to reduce exposure to the company, and that the team would only hold specific securities with strict covenants in place that would prevent any subordination or deterioration in the quality of collateral securing the bonds.

RBC Emerging Markets Sovereign Fixed Income team

Approach

The RBC Emerging Markets Sovereign Fixed Income team, part of the RBC Global Fixed Income and Currencies team, believes that ESG analysis is an important element when investing in emerging market (EM) credit. Among EM countries, which tend to have weaker governance structures than those in developed markets, the team generally prefers to invest in countries with stronger ESG scores, provided that valuation is attractive. Along with other macroeconomic fundamental factors, the team believes that higher ESG scores are a reflection of both the ability and willingness of countries to service their debts.

ESG scores are derived using the team's proprietary Global Fundamental Model framework. Using back testing and fundamental analysis, the team has identified the ESG factors it believes to be most material to sovereign fixed income investing. These factors are directly built into the Global Fundamental Model framework, which results in a relative ranking of countries on ESG and other fundamental factors. Results of the Global Fundamental Model are paired with analysis of current valuations to identify issuers warranting further due diligence and potential investment. The team monitors the ESG fundamentals of more than 80 EM sovereign issuers.

CASE STUDY: Middle Eastern emerging market sovereign

Objective:

Continued monitoring of material ESG factors for sovereign debt in a Middle Eastern emerging market country.

Analysis:

This country has defaulted on its external debt obligations in recent years. Default was rooted in years of unsustainable policy decisions that ultimately failed to deliver economic progress. The country resides in a volatile region and has experienced civil war in recent history. ESG factors are a large source of risk in this country. Each factor scores poorly in the team's Global Fundamental Model. In particular, vulnerabilities related to social and governance factors have been material risks to bondholders. Rule of law, corruption, and institutional strength are amongst the lowest quality in emerging markets. The political framework lacks the ability to drive positive change in the country. It is a fragile system that seeks to balance power but ultimately results in political deadlock. Last year, lawmakers failed to elect a head of state to replace the incumbent, whose term ended in 2022. A staff level agreement with the International Monetary Fund is unlikely to be implemented until a new government forms.

Potential debt restructuring is not expected in the near term, which leaves the country in a state of economic, financial, and social crisis. Although the risks of this country's credit are largely reflected in the price of bonds, the negative outlook and potential for sanctions makes it an unattractive investment.

Outcome:

The team held a structural underweight position in this country for the reasons mentioned above. Following conflict in the region, the team decided to reduce the underweight position to zero by selling out all remaining bonds in the EM sovereign bond allocations. In the team's view, the active participation of terrorist organizations based in the country not only amplifies the social and governance weaknesses of the country but also carries increased sanction risks, ultimately limiting potential upside for the country's bonds. On balance, integrating ESG factors in the investment analysis makes these bonds unattractive from a risk/reward perspective.

RBC Investment Grade Corporate Fixed Income team

Approach

The RBC Investment Grade Corporate Fixed Income team, which is part of the RBC Global Fixed Income and Currencies team, incorporates ESG factor analysis into the credit review process in order to evaluate risk exposure, for applicable types of investments.

Research is conducted on issuers under coverage and credit and ESG reports are created to document the team's analysis. Reports include an assessment of the credit fundamentals, along with ESG risks and opportunities deemed material to the investment. These considerations form the basis of the investment recommendation. Material ESG factors are monitored throughout the lifetime of investments.

CASE STUDY: Assess social exposure of a small Canadian bank

Objective:
Determine whether the team should invest in the inaugural deposit note by the bank.

Analysis:
The investment team was approached with an opportunity to invest in a deposit note offering. The issuer is a smaller Canadian bank that specializes in home equity loans, exclusively serving the senior population in Canada. Given the target demographic's vulnerability and sensitivity around borrowing against equity in one's principal residence, the team performed an in-depth social risk analysis to help ensure investing in this bank did not subject the portfolios to an undue amount of social risk. The research was conducted via multiple engagements with management to gain insights around circumstances when a senior homeowner could end up losing his or her principal residence. Additionally, the team leveraged social media/search engine/better business bureau resources to evaluate existing customers' complaints and business practice controversies.

Outcome:
The investment team was comfortable with the checks and balances that management have put in place to work with defaulted mortgagees. Based on historical data, these proactive measures have resulted in the majority of defaults being worked out without eviction. Ultimately, the team concluded that the bank operates in a responsible manner and that bond investors were appropriately being compensated for taking on the additional social risk.

RBC Alternative Investments team

Approach

The RBC Alternative Investments team considers material ESG risks and opportunities implicitly in the initial and ongoing credit analysis process. The credit risk inherent in high yield bonds requires stringent analysis before a bond is considered for the team's high conviction portfolio. The investment process begins with the North American high yield universe and applies several screens: industry fundamentals, credit metrics, ratings, security selection, and valuation. This process then leads to active credit monitoring, investment thesis revisions, and dynamic position sizing.

Environmental tail risks that could lead to credit deterioration (e.g., oil spills, decommissioning liabilities, etc.) are carefully analyzed. The team is mindful of avoiding sectors and issuers exposed to social risks without commensurate return (e.g., aggressive interest rates charged to vulnerable borrowers at payday lenders, egregious drug price increases at certain pharmaceutical companies, etc.), and views corporate governance as an important piece of analysis and decision-making, aiming to invest in issuers with excellent alignment between key stakeholders, including their interests as creditors.

CASE STUDY: Corporate Hybrid New Issue[29]

Objective:
Information gathering to assess the merits and risks of an ESG-labelled hybrid investment.

Analysis:
In June 2023, the team met with a Canadian renewable power producer that was considering an issuance of corporate hybrid securities under its financing framework. Capacity consisted of 34% offshore wind, 29% onshore wind, 28% efficient natural gas, and 9% onshore solar. New issue proceeds were used to fund eligible wind, solar, storage, and hydrogen projects, including an offshore wind farm in Europe and energy storage in Canada. The team learned that management is committed to net-zero emissions (Scope 1, 2, 3) by 2040, assisted by wind-down or sale of its efficient natural gas assets by 2036 at the latest.

The company's credit facility is sustainability-linked based on achieving targets around increasing renewable generating capacity and reducing carbon emissions intensity by 2025. The issuer received medium to high ESG rankings from third-party ESG research providers and was rated as one of the top 20 best corporate citizens in Canada by Corporate Knights in 2022. Women represent 33% of the board and 50% of the Executive Office, and the company has made a commitment to diversity beyond gender at the board level by 2024.

Outcome:
The team views the issuer positively from an ESG perspective given 72% of power generating capacity consists of renewables, which stands to increase once substantial growth projects in wind and energy storage are complete in 2026-2027. The company will phase out the 28% of capacity from efficient natural gas facilities by 2036, contributing to its stated goal of net-zero emissions by 2040. The team also likes the issuer's financing framework and commitment to improving board diversity in the near term. This investment remains a core long-term position in the two funds it manages.

RBC Global Fixed Income & Currencies team - Canadian Governments

Approach

Material ESG factors are considered for issuers covered by the team to complement the assessment of Canadian provincial governments and inform fundamental analysis in general, with the objective of identifying meaningful risks and opportunities associated with ESG factors, and the potential for impact on the team's investments.

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[29] Hybrid securities combine different financial instruments; typically equity and debt.

RBC Developed Markets Sovereign Fixed Income team

Approach

The RBC Developed Markets Sovereign Fixed Income team is part of the RBC Global Fixed Income and Currencies team and its ESG analysis uses both a qualitative and quantitative approach. The global sovereign bond market has a diverse set of issuers for whom ESG factors have differing levels of materiality. Therefore, the application of the ESG framework will differ between groups of sovereigns. At one end of the spectrum, there are sovereign bond markets that are primarily driven by growth and inflation risk, while at the other end, the sovereign bond markets are primarily driven by credit risk where the materiality of ESG factors are more relevant. Using the Global Fundamental Model framework (see RBC Emerging Markets Sovereign Fixed Income above), the team generates proprietary ESG scores for countries and tracks them over time in order to identify improving or deteriorating trends in a country's ESG fundamentals. The ESG pillar in the Global Fundamental Model incorporates 30 indicators and multiple metrics per indicator that fit into the team's country scorecard framework.

CASE STUDY: South American sovereign

Objective:

Evaluate an off-benchmark opportunity for fixed income portfolios.

Analysis:

The return of inflationary pressure in 2021 caused central banks around the globe to aggressively hike interest rates. The U.S. Federal Reserve began its hiking cycle in March 2022, later than many other central banks, which created an opportunity to own bonds in countries where monetary policy was further ahead in the cycle. The team explored these opportunities and identified this South American country's local bonds as a candidate. The country's central bank started its hiking cycle a full year before the U.S. Federal Reserve and was experiencing disinflation earlier than many other economies. Positive macro indicators combined with cheap valuation made these local bonds an attractive investment opportunity. Once the investment decision was established, the team reviewed the issuer fundamental score (its propriety model) that encompasses macro variables and ESG considerations, the local bond market checklist, and a qualitative assessment. In its opinion, the materiality of ESG factors carry a relatively higher weight for this country compared to other developed market issuers. As such, additional review to the country's ESG screen was given and it was concluded that the team received fair compensation for the known ESG risk.

Outcome:

The team established a position in local currency government bonds across multiple fixed income portfolios.

REAL ASSETS

RBC Private Markets Real Estate Equity Investments team

Approach

As part of the RBC Private Markets Real Estate Equity Investments team's ESG integration process, new investments are integrated into the overall portfolio's ESG monitoring framework, including inclusion in reporting and benchmarking. In addition, climate risk reviews are undertaken at the asset level for properties in the portfolio.

RBC Private Markets Mortgage Investments team

Approach

Given the illiquid nature of the commercial mortgage market, mortgage investments are typically held-to-maturity. This makes the analysis of ESG factors an important component of risk management for mortgage investments. The RBC Private Markets Mortgage Investments team views ESG risks as falling into two main categories: property-specific and borrower-specific risks. Property-specific risks encompass a wide range of environmental risks, such as land contamination, air quality and climate related risks, and building risks, such as building materials, physical condition and health and safety issues. Borrower-specific risks encompass a range of potential ESG factors, and the team places a high degree of importance on a borrower's reputation in the industry, and their management of their overall real estate portfolio. The focus is to lend to high-quality, high-integrity real estate owners who have demonstrated their ability to successfully manage real estate over time.

CASE STUDY: Due diligence regarding social and governance factors

Objective:
Conduct social and governance factor due diligence on a potential new borrower relationship.

Analysis:
As part of the due diligence on a large mortgage investment opportunity, the mortgage investment team issued a newly created ESG questionnaire to a borrowing entity where it had limited previous interaction and knowledge of the organization.

Outcome:
The borrower provided comprehensive information on their policies and approach to ESG factors including climate risk analysis, emission tracking/monitoring, DEI policies, community engagement, and governance structure. The investment team viewed the organization's approach to ESG favorably and has expanded its relationship to new mortgage investment opportunities.

RBC Private Markets Infrastructure Investments team

Approach

Infrastructure investments may be involved in the delivery of an essential service to the public, and therefore innately attract a high degree of oversight and scrutiny from a range of stakeholders. In recognition of this, material ESG factors are integrated throughout all stages of the investment lifecycle: co-investment partner selection, investment screening, investment due diligence, and investment management and governance. For this reason, the team takes an active approach in assessing and managing any prospective investment across each element of the lifecycle.

CASE STUDY: Alignment of investment time horizon among co-investment partners

Objective:
To actively seek out co-investment partners that follow similar principles of responsible long-term value creation.

Analysis:
The assessment of the co-investment partner(s) can function as both a positive screen and a negative screen. As an example of the latter, the investment team declined an investment opportunity when there was a misalignment around the investment time horizon from a developer that was seeking a co-investment partner, but which was seeking to substantially decrease its position in the investment in the near term. This would naturally incentivize the developer to prioritize a short-term gain and near-term exit, which would have been misalignment with our approach which seeks long-term value creation.

Outcome:
The team observed the potential risk around misalignment of interests (the partner's short-term value creation interest through exit at the potential risk of extracting too much cash from the business) against the team's strategy of long-term value creation. On that basis, the investment opportunity was declined.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Our proxy voting providers

As active stewards of our clients' assets, we convey our views to issuers through thoughtful proxy voting. To accomplish this, we developed the Proxy Voting Guidelines (see Principle 12) and have retained the services of ISS to manage and execute proxy votes.

ISS provides custom voting recommendations for proxies based on the Proxy Voting Guidelines. The Proxy Voting Guidelines are applied to issuers in Canada, the U.S., the UK, Ireland, Australia, and New Zealand. In all other markets, we use the local benchmark voting policy of ISS, as communicated in our Proxy Voting Guidelines. Our RI team reviews vote recommendations from ISS to help ensure that they accurately capture the intent of the Proxy Voting Guidelines. The RI team draws on research from both ISS and Glass, Lewis & Co. in its review, as well as internal expertise from the RI team, the investment teams, and the Proxy Voting Committee.

We exercise the voting rights of the portfolios we manage in the best interests of the portfolios and the clients that invest in them, with a view to enhancing the long-term value of the securities held.

This process is designed so that as an asset manager, we can closely monitor the quality of research and vote recommendations of service providers, as well as the accuracy of vote processing and reporting. Globally, RBC GAM typically votes at over 3,000 meetings per year and requires consistent and diligent research from our service providers, extensive reporting and monitoring capabilities on voting activities, open lines of communication and opportunities for feedback, and a highly customized approach to the implementation of the Proxy Voting Guidelines.

During proxy voting, we employ oversight features to execute votes according to the Proxy Voting Guidelines and the best interests of the portfolios we manage. This includes the following:

- Dedicated analysts from the RI team review upcoming company meetings, evaluating proposals individually and paying particularly close attention where our custom vote recommendation calls for a vote against management's recommendations.
- The RI team receives automated alerts on particular voting circumstances including:
  - upcoming proxy contests;
  - transactional votes (e.g., mergers and acquisitions);
  - recommended votes against management;
  - updates to voting recommendations; and
  - instances where a vote has been submitted contrary to the custom voting recommendations of ISS.
- Investment teams receive regular reports of upcoming meetings in the portfolios they manage, which may include flags and rationales for any recommended votes against management's recommendations. Teams can note and escalate voting issues where they believe the custom recommendation is not aligned with the best interests of the portfolio(s).

- The RI team flags meetings via customized watchlists in ISS's online voting platform. Examples include instances where:
  - a company is being monitored for progress on an ESG factor;
  - we voted against ISS's custom voting recommendations in previous years; or
  - our custom voting guidelines may not fully capture the unique circumstances of an issuer.
- In scenarios where RBC GAM determines the custom voting recommendations from ISS are inconsistent with the intentions of the Proxy Voting Guidelines, and/or do not reflect the best interests of the portfolio(s), a vote override process is initiated. Investment teams are consulted on vote override requests, and requests are submitted to the Proxy Voting Committee for review. Our Proxy Voting Committee includes the CIO and the Head of RI. To help ensure independent oversight, no investment team member sits on the Proxy Voting Committee.

Throughout the year, we also monitor the outcomes of our voting activities and meet with ISS to discuss their implementation of our policies to help ensure that voting is executed according to our Proxy Voting Guidelines:

- RBC GAM meets with ISS on an annual basis in advance of each proxy voting season to confirm the desired implementation of the Proxy Voting Guidelines. This involves a detailed walkthrough of the most recent updates to the guidelines, as well as a review of ISS's benchmark voting policy updates to determine appropriate implementation.
- Throughout the year, RBC GAM works directly with ISS's custom research team as new situations emerge or to refine implementation. Feedback is typically provided to ISS through ongoing dialogue.
- The RI team conducts regular proxy voting reconciliations to help ensure the number of votes submitted at our issuer meetings match our internal record of securities held in affected portfolios. Where issues are identified, they are escalated to ISS and/or the appropriate custodian, as required. This process complements ISS's reconciliation process, which reviews ballots received against a record of our retail mutual fund holdings.
- Aggregate voting statistics are analyzed on a semi-annual basis by the RI team, independent of ISS – once at the end of proxy season, and once at the end of the calendar year. The RI team tracks statistics including:
  - votes against the recommendations of management;
  - votes against the recommendations of ISS's benchmark policy;
  - instances where we were unable to vote; and
  - votes rejected due to logistical, administrative, or market-specific issues (e.g., share-blocking).
- After proxy voting season, RBC GAM and ISS will generally meet to discuss proxy season outcomes and voting trends, which can identify outliers or instances where further implementation refinements are required. RBC GAM also identifies instances and themes where consistent vote overrides or refinements were required throughout proxy season and communicates these details to ISS in order to facilitate any further customization.

Research providers

As outlined in Principle 2, RBC GAM retains the services of a number of research and data providers to support and enhance our stewardship activities. The primary users of this research and data include the investment and RI teams. Research and data from our providers help to complement investment analysis, ESG integration within the investment process, preparation for potential engagements, and portfolio risk monitoring and reporting.

There are a number of steps we undertake to help ensure that the provider and quality of data/research will meet our expectations:

1. Before purchasing data or research from a provider, we conduct market analysis to compare the potential product with its competitors.
2. Where applicable, our RBC Quantitative Investments team back tests data being considered for core investment and stewardship activity, and both the RBC Quantitative Investments team and Investment Risk group may assist in reviewing prospective subscriptions for data quality and consistency, where appropriate. Where inaccuracies and shortcomings in methodology are found, and it is unlikely the provider will be able to address them and meet our expectations, the provider is removed from consideration.
3. During a trial period, our investment teams may test potential research and data provider subscriptions within the context of the portfolios they manage. Investment teams then provide feedback on any research or data issues, including systemic issues that would prevent the provider from being applicable or useful to the investment process or minor issues that can be resolved through engagement with the provider.
4. Once the provider is on-boarded, we maintain open dialogue and engagement between users of the data and the providers themselves to help ensure that the quality and accuracy of data and research continues to meet expectations. For example, we may seek direct training opportunities for users of the data to understand the product and new ways to integrate it. Our investment teams may also discuss research findings directly with research providers' sector analysts or research managers to help facilitate a better understanding for both parties.
5. In certain cases, where inaccuracies on issuers have been identified, RBC GAM may facilitate engagements between the issuers and research providers to discuss and resolve inconsistencies in data/research. Historically, these inaccuracies have resulted from issuers failing to disclose policies or practices on which the research provider is evaluating them, or providers' review cycles lagging issuers' publications/data releases.

In cases where existing research or data providers fail to meet our expectations despite our engagement efforts, or where superior research or products are identified, RBC GAM may terminate our subscription. Subscriptions and contracts are reviewed by our internal legal department prior to signing and upon contract renewal, as required, to stipulate the conditions where termination may be appropriate.

In 2023, we onboarded new data to meet EU Taxonomy reporting requirements. Due to the new nature of the data, the RI team conducted a detailed analysis of the data received from the data vendor to assess its accuracy.

The RI team continued to assess the quality of climate data from our third-party vendor in relation to the methodologies they apply and to issuer-specific data provided, where relevant. This included instances related to issuers' reported carbon emissions, the vendor's calculation of carbon intensity metrics, the frequency of carbon emissions data updates, inconsistencies between climate-related data sets or coverage, estimation methodologies and a new temperature alignment methodology. These instances were either identified by investment teams as part of their ESG integration and stewardship activities or by the RI team as part of ongoing research and analysis. When instances such as those identified above are identified, the RI team seeks to communicate directly with the data vendor to find a resolution to the data quality and/or methodology issues. In 2023, we had multiple meetings with our data vendor to discuss and review their data quality controls and systems.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

Our approach to direct engagement

We believe that issuers that manage their material ESG risks and opportunities effectively are more likely to outperform on a risk-adjusted basis over the long term. Our approach to engagement reflects this belief, as we engage in dialogue with issuers over time and participate in initiatives that aim to increase transparency and foster fair and efficient markets for the benefit of investors and clients globally.

Our investment teams may meet with the issuers in which we invest on an ongoing basis. The specific ESG factors we engage on differs based on several items. For corporate issuers this can include the issuers' operations, industry, size, geographical footprint, and the nature of the investment vehicle for which it is being purchased. For sovereign issuers, material ESG factors can depend on the country's status of economic, social and political development, availability of and dependence on natural resources, and potential regional issues, among other factors. Engagement cases are prioritized based on the materiality of the ESG issue to the specific investment. Teams may also prioritize their engagement efforts based on the size of the investment and/or the level of ESG risk within the portfolio.

As a firm, we recognize that corporate governance and climate change are important to us. We seek to understand each issuer individually and through the lens of local norms and the laws and regulations of the market(s) in which it operates. Principle 7 outlines the asset class specific considerations in determining materiality of ESG issues and provides additional context on our firm's priorities.

Typically, the objectives of our ESG-related engagements include:

- information gathering on material ESG risks and opportunities and the steps the issuer is taking to address them;
- seeking better public disclosure of material ESG risks and opportunities and the steps the issuer is taking to address them;
- encouraging more effective management of material ESG factors, where we believe they may impact the value of the investment; and
- where an issuer is lagging its peers on a material ESG issue, requesting a commitment for change, monitoring any changes, and encouraging continued improvements that are expected to positively impact the long-term value of the investment.

As described in our Approach to Climate Change and Our Net-Zero Ambition, we use active stewardship to encourage the management of climate-related risks and opportunities. Where climate represents a financially material risk, we expect issuers in which we are invested to identify and publicly disclose material financial and strategic impacts resulting from the transition to a net-zero economy; establish credible targets and action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner; and demonstrate progress in meeting their net-zero emissions commitments.

Methods of engagement

We employ a variety of engagement methods, depending on the issuer, the matter being discussed, and the accessibility of the issuer. For instance, our primary method of engagement is to engage directly with the issuer through private dialogue, over time. For matters affecting corporate governance, this typically involves meeting(s) with and/or letter(s) to the board of directors. For most other ESG matters, our investment teams meet directly with the board of directors, management team, or specific executives or individuals responsible for overseeing the matter at the issuer.

We have a strong preference for maintaining an open dialogue and working with our investee issuers to address material ESG-related matters through private dialogue. Although we may consider more public avenues of change, such as filing shareholder proposals at corporate issuers or making public statements, we use these methods sparingly.

Also, we do not believe that broad-based divestment is an effective stewardship tool compared to engagement; however, at any stage of their analysis or engagement with an issuer, our investment teams may choose to divest from an investment or group of investments based on their judgement of the investment case.

Our investment teams select the engagement methods they believe to be most effective for their desired engagement objective, as outcomes from engagements can be integrated directly in the investment process and may be used in making investment decisions. In 2023, our teams completed over 1,800 engagements on ESG-related issues.[30] Examples of approaches across asset classes and strategies include:

- **Public equities**: As equity investors, and as a large institutional investor, we typically have good access to boards and management. Our investment teams have direct communication with management teams to share their views on ESG issues that may impact shareholder value. In emerging markets, where information on ESG issues is less readily available, our investment teams focus on developing relationships with boards and management over time and may prioritize engagements based on specific ESG issues that are considered most material to the portfolio as a whole.
- **Corporate fixed income**: Corporate fixed income investors may engage with senior management as bonds reach maturity and the company seeks to refinance, focusing on matters that may impact the likelihood of debt repayment or of the issuer's perceived credit quality in the market. Our corporate fixed income teams may also engage directly with rating agencies or facilitate meetings between rating agencies and the issuer to improve transparency and resolve potential discrepancies in information. Our corporate fixed income teams may engage with corporate issuers proactively to initiate dialogue on ESG matters, or reactively in response to an external event or development.
- **Government fixed income**: Engagement opportunities in this asset class tend to be more multi-pronged and can include a range of stakeholders, with engagement taking place through various routes for municipal or sovereign issuers. Our investment teams also engage with regulators and policy makers on matters affecting transparency and fostering fair and efficient capital markets in the markets in which they invest.
- **Fixed income securitized credit**: When engaging within securitized credit, the nuances of the asset class must be considered when determining the methods of ESG engagement applied, the level at which ESG engagement is possible and the degree to which there can be engagement for the purpose of influencing the issuer. For example, engagement may focus on the manager, originator, or servicer of a securitized instrument, rather than at the specific collateral pool level and issuers therein.
- **Real estate, infrastructure, & mortgages**: Engagement opportunities for physical assets differ depending on ownership type. As the direct owner of an asset (e.g., as the owner of a commercial building) we may be able to engage to effect change directly at the asset level. As a lender to borrowers in our mortgage investments, there may be opportunities to engage directly with borrowers, or through origination partners.

Our investment teams engage on ESG matters with investee issuers and we report on our engagements to clients through both direct quarterly reporting to institutional clients, as well as public disclosures to all retail and institutional clients, via our Transparency Reports with the UN PRI, and in our annual Commitment to the UK Stewardship Code reports. Principle 6 provides additional context on our client reporting activities.

The outcome of an engagement is generally not the sole factor in an investment decision. Instead, the information obtained from engagements on material ESG factors helps inform the investment case. Historically, there have been instances of unsuccessful engagements resulting in divestment of the issuer's security. Similarly, engagements may reinforce the positive outlook of our investment teams on a particular investment or point to specific risks or issues for monitoring.

[30] The reported figures may not fully capture all ESG engagements as some may not be included in our tracking systems. Engagements purely on non-ESG factors are excluded. The reported figure includes instances where we engaged with the same issuer more than once.

COMMON CHARACTERISTICS OF ENGAGEMENT WITHIN THE FIXED INCOME ASSET CLASS

Scope of Nuances Issuer types		Observations and actions
	Corporates vs sovereigns	▪ The method of engagement between corporates and sovereigns can vary depending on access to the issuer, legal standing, and issuer obligations. ▪ Some barriers to engagement with sovereigns can exist. For example, there may be concerns around sovereignty, cultural sensitivities especially when it comes to social matters, access considerations based on the relative size of the investment position, difficulties engaging with emerging markets sovereigns due to limited resource capacity, and challenges with the extent to which the government will listen to investors or can bring about change in the expected timeframe. ▪ We believe sovereign engagement activities can be meaningful for both the issuer and the investor when managed well. However, opportunities for engagement can be more limited and the likelihood of the sovereign adopting changes may be lower when compared to corporate issuers. Typically, we find the focus of sovereign engagement is for insight purposes, but there can be opportunities to engage for influence, such as improved fiscal transparency and helping to ensure an operating environment (e.g., financial infrastructure) that gives investors' confidence.
	Differences between sub-asset classes (e.g., high yield, investment grade)	▪ It may be possible to engage with issuers in investment grade more so than high yield. This may be due factors such as larger size and resourcing of the issuer, or the issuer also having listed equity and corresponding shareholder engagement. This may enable issuers to be more receptive and able to address investor ESG requests. ▪ However, engagement with high yield issuers can potentially be fruitful as they have a smaller investor base due to their riskier credit profile. As such, they may be more willing to accommodate investor requests, although they may be less frequent issuers, which can make holding them accountable more challenging. Engagement with high yield issuers can be important as they tend to have less robust ESG disclosure and are less likely to be covered by third-party ESG research providers.
	Emerging markets vs developed markets	▪ Accessibility of issuers within emerging markets versus developed markets is one of the key challenges with engagement from both a corporate and sovereign perspective. Typically, emerging markets issuers may be less aware or be more resource constrained than developed market peers. ▪ We believe engagement can be relevant for issuers in both emerging and developed markets. What may vary are the topics we engage on given differences in materiality. ▪ While there can be challenges in engaging with emerging markets issuers, such engagement can be particularly useful to help us better understand ESG practices where disclosure is less robust, as well as to influence for change in line with best practices.
	Conventional public debt vs structured debt	▪ Engagement is typically more straightforward with a single issuer. In the case of structured credit, while engagement is still possible, the nuances of the asset class need to be taken into account around the methods of ESG engagement applied, the level at which ESG engagement is possible, and the degree to which there can be engagement for influence purposes. ▪ For example, when investing in a CLO, it is more likely that engagement will focus on the loan manager to understand their ESG practices and the extent to which such considerations are incorporated into the entities within the collateral pool, than at the transaction level with issuers within the collateral pool directly.

Engagement case studies

Our investment teams may meet with the relevant representatives of investee issuers on an ongoing basis, often discussing ESG-related risks and opportunities material to our investments. As noted above, we completed over 1,800 ESG-related engagements in 2023. Public equities engagements represented approximately 70% of these engagements, and fixed income represented about 30%. Consistent with the characteristics of the sub-asset classes, engagements in real estate, infrastructure, and mortgages represented a small percentage of overall engagements.[31]

Engagements are conducted for a variety of objectives, as discussed in our approach to direct engagement above. In most cases in 2023, the objective of engagement was information gathering, and the outcome was integrating that information into investment analysis, decision making (buy, hold, or sell), and monitoring. However, there were also cases where objectives and outcomes related to expectations for the issuer to undertake specific actions, such as introduce public disclosure on material ESG topics or create strategies for managing specific ESG issues.

Examples of ESG-related engagements from 2023 and their outcomes are provided below.

PUBLIC EQUITIES

RBC Asian Equity team

Approach

The RBC Asian Equity team believes engagement can lead to positive change for shareholders. Its engagement approach focuses on in-depth and ongoing dialogue in order to establish long-term relationships with management teams. The team generally advises and encourages investee companies to:

- Enhance disclosure and provide more data on material ESG issues.
- Address material ESG issues and cooperate with third-party ESG rating agencies.
- Become industry leaders with regard to material ESG issues.

As APAC generally lags behind other global markets in terms of ESG regulations and disclosures, the team's engagements are heavily focused on encouraging companies to start publishing sustainability reports, if the company has not already done so.

CASE STUDY: Carbon intensity of operations

Objective:
Understand energy sources and dynamics.

Engagement:
Engaged with an Indian aluminum and copper manufacturing company to discuss how the company was managing the carbon intensity of its operations. The company is in the process of strategically developing its own coal mines to operate thermal smelters. The investment team challenged the company on its development of greenfield coal and the company explained how it is still carefully progressing on its stated environmental goals while navigating real challenges in finding alternative energy sources. The company reiterated its timeline to decrease net carbon emissions and also shared current challenges of adopting electric smelters or leveraging other renewable sources.

Outcome:
The investment team discussed potentially visiting the company's plants for on-site due diligence. The investment team believes discussion of on-the-ground challenges and technical details with management will be useful information gathering for in-house research and future engagements with the company.

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[31] The reported figures may not fully capture all ESG engagements as some may not be included in our tracking systems. Engagements purely on non-ESG factors are excluded. The reported figure includes instances where we engaged with the same issuer more than once.

PH&N Canadian Equity team

Approach

The PH&N Canadian Equity team believes engagement may provide a competitive advantage. The team emphasizes relationship building with its investee companies and engages with investee companies' management teams and boards of directors on a wide range of issues, including ESG-related issues. The primary objective of the team's engagements is information gathering to supplement fundamental analysis. However, the team also shares its views on material ESG topics as part of its engagements and will often ask for specific action on governance topics as part of proxy-related engagements. Material information identified during an engagement is updated in the team's internal ESG analysis, which may impact the investee company's internal ESG score. This in turn may affect the team's decision to buy, hold or sell the security.

CASE STUDY: Community Relations

Objective:

Assess risks for community relations.

Engagement:

Engaged with a mining and metals company to discuss government and community relations. At the time, the company was being forced to shut down its largest mine after significant protests in the region where it operates. The investment team discussed multiple topics, including:

- The situation with respect to protests in the country.
- The company's ability to access the supplies it needs to undertake a safe operational wind down of the mine and put environmental protections in place at the site.
- The key government and stakeholder concerns surrounding the mine.
- The company's relationship with different political factions and stakeholder groups in the country and what it is doing to engage with these groups to find a positive resolution to the current situation.
- Timelines for possible government negotiations given upcoming elections.
- Support the company has received from other governments with interests in the process.
- Financial ramifications of the current situation including their ability to monetize finished product inventories to generate needed cashflows and their options for debt repayment.
- The legal avenues it is pursuing to protect the capital it has invested in the asset.
- The history and outcome of similar situations the company has faced in other countries.

Outcome:

Overall, the investment team used this engagement for informational purposes to help form an assessment of the suitability of owning the company within its portfolios. The team will continue to monitor the situation closely.

CASE STUDY: ESG Framework

Objective:

Feedback on ESG best practices.

Engagement:

Engaged with an engineering company to provide feedback on its ESG-related initiatives. The investment team provided the company with a list of what it believed the company was doing well, what it should work on, and what it should spend more time thinking about in the future. Overall, the investment team was impressed with the material improvements in employee morale, retention, and willingness to provide disclosure in areas where the company had underperformed and outperformed. The investment team finds that many companies tend to highlight only favourable ESG datapoints and appreciated the company's transparency. In addition, the investment team also commended the company for disclosing the racial and ethnic diversity breakdown of its employee base in the U.S. The investment team also encouraged the company to implement return on invested capital (ROIC) into its management compensation structure given the importance of capital allocation in growth-by-acquisition business models. While the company has a very strong history of creating shareholder value from mergers and acquisitions, the investment team continues to recommend that ROIC be codified throughout the organization as they have seen several examples where companies that emphasize this metric outperform its competitors.

Outcome:

The company now has a better understanding of the investment team's views and stated that it will seriously consider implementing some of the suggestions. The investment team will continue to monitor the company's progress.

RBC Emerging Markets Equity team

Approach

Engagement forms an important component of the RBC Emerging Market Equity team's investment philosophy and process.

The investment team approach is to encourage in-depth and ongoing private dialogue with the companies in which it invests, and to establish strong long-term relationships with management. The team is patient with companies and try to give them time to change on their own terms. This is in line with the investment philosophy whereby the team positions itself as an owner of a company rather than as a short-term investor. The team believes that engagement is more likely be successful when approached in this manner.

The team meets regularly with the companies in which it invests and discusses risks and opportunities relating to ESG. The team also aims to engage with multiple stakeholders across the business, including senior management. This allows the team to share its philosophy on RI and also to gain a well-rounded view of a company's approach to ESG and how this is incorporated into its business practices and management structures, as part of the team's focus on long-term durability.

The team engages on a case-by-case basis, with the portfolio managers filtering ESG information and considering ESG priorities specific to each company.

The team supplements its company-specific engagement activities with a targeted approach, focused on select areas deeming these as being sufficiently important to merit engagement with each of the companies that it invests in. These are areas where the team has built expertise and where it feels it can have productive discussions with companies around best practice. Current focus areas include climate change, supply chain integrity, and employee engagement and corporate culture, and it reviews its focus engagement areas annually.

The team monitors its engagement efforts through a proprietary engagement tracker.

CASE STUDY: Corporate Governance

Objective:
Improve governance, shareholder returns and reduce holding company discount.

Engagement:
The team engaged with the management of a Mexican holding company on improving governance and in particular, on reducing its holding company discount. The company owns stakes in high quality assets in Mexico, such as a leading convenience store chain and the country's largest soft drinks bottling business. Its discount had reached a historically high level, following several investments outside of its core business in recent years and this had led to increasing shareholder skepticism around the company's long-term strategic focus.

Outcome:
Following a number of engagements in management meetings over the last year, the company has divested from many non-core assets, simplified its business structure and become more transparent on its long-term strategy. As a result of these improvements, the discount has narrowed meaningfully. However, the company still trades at a discount to its underlying assets and certain elements of its ongoing strategic review are still pending resolution. The team will continue to engage with management on these areas.

CASE STUDY: Environmental targets

Objective:
Establish and improve environmental targets.

Engagement:
The team engaged with a Chinese computer numerical control high precision machine tool manufacturer on establishing targets to improve environmental protection and achieve net-zero emissions in the future. Although the company is committed to mitigating climate-related risks, the team found that there was a lack of clarity regarding its roadmap. Following a thorough engagement, the company submitted a proposal which included feedback that the team provided to its parent company, based in Japan.

Outcome:
For the first time, the company disclosed its environmental targets, including those related to carbon emissions, in its most recent annual report. Moreover, it formulated detailed environmental management systems and procedures to monitor its negative environmental impacts.

RBC European Equity team

Approach

The RBC European Equity team conducts engagements primarily for the purpose of information gathering on material ESG issues. When material ESG issues arise, the team seeks additional detail on the company's response and actions it is taking to prevent reoccurrence. In some cases, the team may also make recommendations to management, which the investment team believes may lead to positive change over time for shareholders. The depth and breadth of ESG questions posed during engagements depends on the team's overall holdings in the company and the length of time the team has been invested in that company.

CASE STUDY: Plastic reduction solutions

Objective:
Understand company solutions for climate change.

Engagement:
The team engaged with a global biotechnology company to discuss how the company is using its enzyme expertise to help develop solutions to combat climate change. For example, the company is partnering with a French biochemistry company to bring its proprietary plastic degrading enzymes to scale; the first plant will start production in 2025. Another example is that the company partnered with the Bill & Melinda Gates Foundation and the Novo Foundation to work on scaling up a process that can make protein derived from captured CO_2.

Outcome:
Overall, the investment team continues to be impressed by the sustainability initiatives this company has taken and looks forward to the potential scalability of these solutions in the future.

CASE STUDY: Energy Efficiency

Objective:
Understand business model of new acquisition.

Engagement:
The team met with an Irish-based building materials company that recently announced a transformative acquisition. The target company produces wood-fibre insulation and wood-based building envelope products that are considered highly sustainable and part of the overall solution for a decarbonized built environment. The management team described the wood-fibre insulation as a product that can be used in various architectural builds that require differing insulation from a heat, cold, and acoustic perspective. Furthermore, the company is also working on developing a hybrid product in its panels business that could result in a reduction in carbon emissions by 80%. In addition, the management team highlighted the growth of the company over the past 15 years and their ability to deal with challenges related to culture and keeping abreast of what every division is doing.

Outcome:
The company continues to innovate and demonstrate good governance credentials. The investment team will continue to gather information in order to analyze the company's ESG credentials and monitor the company's progress.

RBC Global Equity team

Approach

The RBC Global Equity team believes there are three principal forms of company engagement for its ESG engagement activities:

- Impact: challenging, influencing encouraging or collaborating with existing holdings
- Active ownership: practical stewardship of existing holdings
- Due diligence: assessment of multiple factors prior to investment

The team's engagements are prioritized and chosen using a risk-based approach. This focuses on the materiality of the ESG risks and opportunities to the investment thesis, the team's expectations of progress within a reasonable timeframe, and the resources required. Engagements play an important role in fundamental ESG analysis, and while the team engages across a variety of issues, there is notable concentration on human capital and broader climate-related issues.

Finally, the engagement process is often dual-sided, with some companies reaching out to the investment team for its input or advice on certain ESG-related issues.

CASE STUDY: Scope 3 reporting – Update

Objective:
Energy company to externally report Scope 3 emissions.

Engagement:
The team has engaged with the company on enhancing its environmental reporting. This included engaging on the inclusion of Scope 3 emissions reporting in 2022 and 2023. At the stewardship dinner[32] in the fourth quarter of 2022, the team raised concerns over a lack of comprehensive emissions reporting. It raised this issue again during a meeting with management and investor relations in early 2023. Ultimately, the team found management's response on both occasions insufficient and so voted against a director responsible for climate oversight during the proxy vote.

Outcome:
In June 2023, the team met with the CEO who highlighted that the company was looking into Scope 3 emissions reporting and conducting market research to better understand industry standards.

Update:
In the third quarter of 2023, the team continued its engagement with the Head of Sustainability. After numerous engagement meetings and escalation measures, the company has now started reporting Scope 3 emissions data. Management is currently focused on reporting Category 11 data[33] (based on GHG Protocol) as this is most material, with a view to expand the scope where it aids transparency.

CASE STUDY: Tax transparency

Objective:
Encourage disclosure of tax transparency.

Overview:
The team met with the Head of ESG at a U.S. based e-commerce company to discuss a wide range of issues including the company's decarbonization plan, corporate tax, health & safety within its fulfilment centres, and employee wellbeing. Regarding corporate tax, the team was encouraged by the fact that the company had recently published an updated tax principles document.

Outcome:
The investment team has recommended to management that they offer greater clarity around scope of tax disclosures and highlight transfer tax. Not only does this aid transparency, but it is financially material as it helps investors understand litigation risk. The team will continue to monitor progress in this area.

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[32] Stewardship dinners are events regularly organised by the RBC Global Equity team where clients and representatives from companies are invited to discuss sustainability-related topics.
[33] Category 11 includes the total expected lifetime emissions from all relevant products sold in the reporting year across the company's product portfolio.

RBC North American Equity team

Approach

The RBC North American Equity team engages with management teams and boards of portfolio companies on a wide range of topics, including ESG issues. The purpose of the team's engagements is generally to convey its views to companies, and to incorporate information gathered on material ESG issues into investment analysis. The team uses a variety of corporate and third-party inputs to assess ESG materiality and to monitor development of the corporate exposure to these factors.

CASE STUDY: Climate Change Risks

Objective:
Understand company's exposure to climate change risks.

Engagement:
The team engaged with a Canadian insurance company on its oversight of the potential impacts of climate change. The investment team focused on the company's approach to climate change and the physical and financial impacts of climate change on its business. The investment team inquired into the modelling of potential exposures and risk mitigation efforts. The team conveyed that investors may have longer-term concerns than what the company was currently forecasting. The outcome was largely information gathering as the investment team wanted to assess that the board is considering and acting on the potential impacts of climate change.

Outcome:
The investment team was comfortable with the company's progress and will continue to engage with the company in the future.

RBC U.S. Growth Equity team

Approach

The RBC U.S. Growth Equity team invests in small-cap companies which tend to have less mature ESG-related disclosures and therefore the investment team's primary objective for engagement is to gather information on material ESG factors. Prior to meeting with companies, the team identifies relevant questions which may include ESG-related topics, if deemed material.

RBC U.S. Value & Core Equity team

Approach

The U.S. Value & Core Equity team frequently engages with the management teams of portfolio companies on a wide range of issues, including material ESG factors. ESG engagement opportunities with microcap and small-cap companies tend to be more limited, as meetings and calls are often short and focused on quarterly results, strategy, and fundamentals. However, the investment team has found management teams to be more proactive about engagement on ESG issues than in past years, and some companies now have staff dedicated to ESG-related investment concerns. This provides the investment team with specific contacts for ESG matters and some calls and meetings now devote more time to ESG issues.

CASE STUDY: Sustainable transportation

Objective:

Understand issuer's strategy for meeting increased demand for sustainable transportation.

Engagement:

The RBC U.S. Value and Core Equity team engaged with a global manufacturer and lessor of railroad freight car equipment to discuss how the transition to movement of products from carbon-intensive trucking to more environmentally friendly rail transportation is fueling demand for railcars in Europe. The advantage for rail transport in this regard is significant, but the transition has been slower than anticipated. The team also discussed the effects of the Ukraine-Russia conflict on labor supply and quality, and related manufacturing logistics challenges.

Outcome:

RBC U.S. Value and Core Equity team now has a better understanding of the issuer's strategy for meeting the change in demand dynamics for sustainable transportation.

FIXED INCOME

BlueBay Fixed Income team

Approach

The BlueBay Fixed Income team believes that providers of debt have a role in engaging with issuers and other relevant stakeholders on matters with the potential to impact investment returns, which may include ESG-related factors. At a minimum, the teams engage on ESG factors if these are deemed to represent material ESG risks. ESG engagement is prioritized based on the issuer's ESG risk exposure, quality of ESG mitigation efforts, and ESG performance trajectory, as well as the size of the team's investment exposure and the bond's position in the capital structure.

The BlueBay Fixed Income team's engagements may alternate between information gathering (i.e., insight based) and efforts to encourage improvements in practice (i.e., influence based), or contain elements of both, and the team's engagement approach is incorporated into the investment research process, where viewed to be material.

CASE STUDY: ESG-labelled bonds and best practice

Objective:
Understand framework and guide with best practice.

Engagement:
The team was approached by a Finnish media and learning company to better understand investors' expectations when it comes to ESG-labelled issuances. Labelled issuances can include green or social bonds, where funding is earmarked for specific environmental projects, or sustainability-linked bonds, where funding is related to performance-based targets. The investment team leveraged the opportunity to also share its approach to ESG investing, its expectations of the company's corporate responsibility practices, as well as outlining areas for future progress. The team also shared that it looked for evidence of a strategic approach to sustainable finance, and that it was agnostic to the type of labelled issuances companies select as long as such instruments addressed the most relevant and material ESG topics affecting that business (e.g., in this instance, a social bond may be appropriate given its focus on digital learning solutions, although an environmental one could also be appropriate given their operational environmental footprint). The company stated that it found the dialogue informative and that it better understood how investors were factoring ESG into their investment activities.

Outcome:
The company communicated that the feedback it received from the investment team on labelled issuance would inform the company's future strategy in this area. Following the engagement, the team remained comfortable in holding this company.

CASE STUDY: Sovereign Financial Governance

Objective:
Improve understanding of the reforms undertaken by the local authorities and the challenges linked to these reforms.

Engagement:
The team engaged with a country in the Middle Eastern region to discuss matters of debt and fiscal governance. The investment team attended a group call with the World Bank lead economist for the country alongside a panel of investors. The session occurred as part of the International Monetary Fund World Bank 2023 annual meetings.

As part of the call, the overall macroeconomic context was outlined, where it was clear the economy appears to be at a critical juncture with successive global shocks these last few years that have had a defining negative impact. While the outlook remains negative, the authorities will look to take action on the nation's currency and debt crises to reassure financial markets.

The conduct of reforms and the implementation of the recent law regarding State Owned Enterprises (SOEs) and the reduction of the military clout in the economy is crucial. The International Finance Corporation (IFC), a member of the World Bank group, is currently helping the government identify potential targets regarding companies that could be sold. But the government faces a dilemma, as from a prioritization perspective, listed companies would appear to be the obvious candidates, but some would be considered strategically important politically, so it may not make sense to put them up for sale.

Tax reforms are also key, with the current levels of indebtedness. The investment team asked the World Bank representative about debt levels and to what extent there have been efforts aimed at harmonizing and improving tax policies considering similar initiatives launched by other Arab countries and the fact that the SOE law has defining tax implications. The representative communicated that tax policy is indeed high on the agenda to reduce borrowing costs, and while some measures are in place, there remains more to do (e.g., reform in dealing with the customs authorities and policies on tax expenditure between SOEs and private companies).

Outcome:
The investment team found the discussion provided helpful insights into what stakeholders like the World Bank consider to be key challenges and opportunities for the country and showed good alignment with the team's own thinking and priorities. The team believes progress on these governance-related areas will feed into broader improvements in the country's ESG performance over time.

CASE STUDY: Labour practices of a Brazilian beef producer - Update

Objective:
Understand how the company's labour management policies and practices have advanced.

Engagement:
The BlueBay Fixed Income team participated in a call on the company's labour practices. This was the third phase of a three-year collaborative investor engagement co-ordinated by FAIRR (a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector) to engage with food producers on this topic. Phase 1 of the initiative focused on initiating company contact and working to define and set investor expectations on best practice on labour standards. Phase 2 concerned maintaining company dialogue and reviewing how the companies were performing against investor expectations, as well as identifying key challenges and opportunities. Phase 3 seeks to re-engage with companies to assess progress over the three years and determine whether investor expectations need to be revised. The BlueBay Fixed Income team's involvement has focused on the practices of the Brazilian food producers, and within this, it has had a more active role in discussions with one of Brazil's larger food processing companies, providing input on engagement points for the company. Key topics included health and safety, fair working conditions, and worker representation.

Outcome:
The company shared that some of its current activities and priorities have been directly informed by the FAIRR initiative, evidencing the importance of such engagements in promoting better labour practices.

Update:
Over the last year the company has shown some progress on its labour practices, particularly in the areas of health and safety, worker representation, and grievance mechanisms, but there is still scope for further improvement which the team will monitor.

CASE STUDY: Governance practices and sustainability at a Mexican state-owned oil and gas company – Update

Objective:
Encourage improvements in the bolstering of the governance practices and efforts around integrating sustainability practices.

Engagement:
The company has been the focus of ongoing engagement efforts by the BlueBay Fixed Income team. Such activities have been conducted bilaterally given good relations with representatives in the company and within the government, as well as collaboratively via the Climate Action 100+, a global investor engagement effort promoting greater climate action. Between 2022 and 2023, there were a number of touchpoints covering governance, environmental and social initiatives. The investor group also met with other expert organizations to better understand what best practice looks like, and to consider potential strategies to maximize engagement with state-owned entities. December 2023 also saw the investor group meet with those leading on the Transition Pathway Initiative, to understand how they evaluate the issuer in terms of its carbon management.

Outcome:
Such activities have proven extremely insightful to the investor group, helping to educate members on good/best practice to assess if the strategy remains fit for purpose, and to maximize the efficiency and effectiveness of stewardship efforts.

Update:
Reflecting on the year, the investor group acknowledged some progress had been made regarding ESG reporting in alignment with the investor group's recommendations; for example, through the publication of an English language sustainability report and business plan, and the establishment of a Sustainability Committee with board representation. The investor group will look to define its engagement plans for the issuer early in 2024.

RBC Investment Grade Corporate Fixed Income team

Approach

The RBC Investment Grade Corporate Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement mainly for information gathering purposes in its ESG integration process.

The team engages with management through roadshows and sell-side conferences, where one-on-one meetings with issuers are facilitated.

CASE STUDY: ESG-labelled Bonds

Objective:
Understand labelled bond framework.

Engagement:
The team engaged with a global consumer goods company on several sustainability and governance-related topics, including the company's ESG-labelled bond framework. The company recently changed its executive management team, including the CEO, and is focusing on implementing a cultural change, along with a rewards-based remuneration structure. New management felt that the recent underperformance of the company came from a lack of focus, so the company is now focusing on priority objectives. For example, the company noted that it has initiated a green financing framework. However, the initial issuance became challenging, as the tracing of the proceeds became too expensive for the limited benefits the green bond offered. Moving forward, the company does not expect to issue additional green bonds or instruments and wishes to move forward on its ESG strategy through enterprise-wide metrics.

Outcome:
Overall, the investment team felt that this engagement improved the team's understanding of the company's new management objectives and the role ESG plays in the company's future strategy. The investment team will continue to monitor the company's progress of these issues moving forward.

PH&N Fixed Income team

Approach

The PH&N Fixed Income team invests in Canadian fixed income securities and believes that engagement is an important component of its ESG analysis. ESG risks are discussed at issuer meetings and the team uses engagement to develop a comprehensive view of issuers' short-, medium- and long-term strategies for managing ESG risks. The team also uses engagement to identify any and understand discrepancies between published ESG disclosures and discussions with the leadership team.

Finally, the PH&N Fixed Income team is involved in providing feedback and encouraging improvements to the quality of dealers' and issuers' sustainability frameworks, and in encouraging ESG-labelled new issuances.

CASE STUDY: Green Building Certifications

Objective:
Understand green building certification and emissions reductions.

Engagement:
The team engaged with a Canadian Real Estate Investment Trust (REIT) to discuss its green building certification and emissions reduction targets. Like other REITs, one of the company's ESG targets relates to the percentage of the company's portfolio that is "green certified." Its target was set at 30% green certified by 2030, as compared with 24% at the end of 2022, and 11% at the end of 2019. The investment team encouraged the company to re-evaluate its 2030 target based on the substantial progress it was able to make in a single year. In addition, the investment team discussed the company's emissions reduction target and expressed feedback on its related calculation. The company excludes emissions related to construction and building, which are estimated to account for approximately 50% of a building's overall carbon footprint during its life. This feedback regarding the calculation of a REIT's emissions is a recurring topic with other REITs that the investment team also engage with.

Outcome:
The investment team will continue to monitor the company closely, but the team believes it is too early to assess whether any change will occur as a result of the engagement.

RBC High Yield Fixed Income team

Approach

The RBC High Yield Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement mainly for information gathering purposes in its ESG integration process. As fixed income investors, engagement plays a limited role in the overall ESG integration process, compared to equity investors. Engagement activities, including on ESG, tend to occur around roadshows and conferences, especially for new issues.

CASE STUDY: Aerospace & Defense Company

Objective:
Clarity on ESG concerns, including carbon emissions and governance.

Engagement:
The company produces aircraft, which generate significant carbon emissions in their operation. This presents an opportunity to invest in low-carbon technology and produce aircraft with a smaller carbon footprint. Another concern was the dual-class share structure, with unequal voting rights which can potentially create governance concerns.

Outcome:
The team met with management who reaffirmed their commitment to reducing the impact of air travel on climate change by reducing emissions. This would be achieved through a combination of improved aerodynamic efficiency, propulsion enhancements and making use of sustainable aviation fuels. A public commitment has been made by the company to release a formal plan over the next year describing how it intends to achieve net-zero emissions by 2050. The dual-class share structure was acknowledged as a possible governance concern. The team will monitor the company and look for progress on its climate change commitments.

RBC Emerging Markets Sovereign Fixed Income team

Approach

The RBC Emerging Markets Sovereign Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement with corporate issuers to a limited degree in its ESG integration process, due to the nature of the securities in which they are invested. However, the team engages on a limited basis for specific securities.

The team typically attends meetings and presentations between government-related policymakers and investors at least twice per year (International Monetary Fund and World Bank spring and fall meetings). This allows the team to gather information and evaluate the transparency and quality of policymakers' responses to material ESG issues. Typically, the question-and-answer portion of these meetings and presentations provide an opportunity for investors to raise ESG issues that may not have been addressed.

CASE STUDY: Annual IMF meetings in Morocco

Objective:
Information gathering on ESG views from policymakers and their response to investor feedback.

Engagement:
The team had the opportunity to hear from policymakers in-person at the annual International Monetary Fund meetings in Morocco. Presentations were followed by question-and-answer sessions with investors. While monetary policy was the main topic of discussion, ESG continued to play a role in the conversation with investors. The risks and opportunities associated with climate change and the low-carbon transition were key areas of focus. For example, the Lula administration in Brazil has prioritized preserving the Amazon rainforest and is positioning itself to be a partner in the low-carbon transition. In Peru, risks of El Nino complicate the central bank's forecasts which in turn impacts the monetary policy reaction function. More recently, the team engaged with the World Bank at a roundtable event on the topic of ESG in sovereigns. A wide variety of topics were discussed including the rise of ESG-labelled issuances and the challenges investors face when participating in these debt deals.

Outcome:
The investment team benefitted from direct interaction with policymakers and multilaterals. The engagement allowed the opportunity to give feedback from the bond investor perspective and keep abreast of climate-related risks and opportunities.

RBC BlueBay Impact-aligned Investing Fixed Income team

Approach

The RBC BlueBay Impact-aligned Investing team, part of the BlueBay Fixed Income team, uses engagement with corporate issuers to a limited degree in its ESG integration and impact investing process, due to the nature of the securities in which they are invested.

However, the team engages on a limited basis for specific securities. For example, the investment team will engage with business owners in relation to investments in small business loans when issues arise.

CASE STUDY: Animal testing alternatives

Objective:
Understand recent innovations and animal testing alternatives.

Engagement:
The Impact-aligned Investing team engaged with a laboratory safety and purity analysis company. More broadly, the company provides analytical testing services to the pharmaceuticals, food, environmental and consumer products industries. The investment team engaged with the company in the first quarter of 2023 to discuss its work in animal testing alternatives and to learn more about its recent innovations. The company is a leader in safety testing without animals and its service portfolio offers methods for replacing the use of animals to evaluate acute systemic toxicity, skin and eye irritation and skin sensitization. Outside of animal testing alternatives, it recently launched a suite of testing solutions to measure the levels of carbon storage in fields, supporting the reduction of CO_2 in the atmosphere (including for carbon credit claims) and improvements to soil health. The company has also launched a new product which will support testing of wastewater for the COVID-19 coronavirus.

Outcome:
The engagement solidified the investment team's view that the company is uniquely positioned to see its growth boosted by the increase in ESG trends, including new regulations and investor demand for operational transparency. The investment team views its product offering as directly promoting human safety and environmental protection.

RBC Alternative Investments team

Approach

The RBC Alternative Investments team will engage with companies in its portfolio, often discussing material ESG factors. The team has developed company-specific questions for engagement, which include governance and climate-related questions. Use of the questions is at the discretion of the analyst and/or portfolio manager. In most cases, the team is a smaller bond holder and is primarily gathering information. However, there have been instances where the team is a larger shareholder or even the largest and was better positioned to influence the company to take specific action.

CASE STUDY: ESG considerations in Mergers & Acquisitions

Objective:
Understand impact of acquisitions.

Engagement:
The team engaged with a North American energy infrastructure company that recently announced three utility acquisitions and issued corporate hybrid bonds to help finance the transaction. The corporate hybrid bonds were not issued under a ESG-labelled financing framework, but the team learned during its due diligence that the issuer is a top sustainability-linked bond (SLB) issuer globally. The key environmental target for the SLB program is a 35% reduction in emissions intensity by 2030. Additionally, the company is focused on achieving net-zero emissions (Scopes 1 and 2) by 2050. The team learned that the three utilities to be acquired have excellent track records of asset performance and safety. The utilities acquisitions balance the company's profile by reducing exposure to oil pipelines, and increasing exposure to gas transmission, distribution, and renewable power generation, thereby improving cash flow quality, and diversifying away from oil pipelines.

Outcome:
Overall, the investment team views the utility acquisitions positively to the business mix and ESG profile, while recognizing the higher debt load (to fund the acquisitions) increases financial risk. The investment team was pleasantly surprised by the progress the issuer has made on corporate governance and environmental targets since the last credit update, and after this review, the investment team made an investment in the issuer.

RBC Global Fixed Income & Currencies – Canadian Governments

Approach

In the developed government bond space, the engagement opportunities available to the investment team differ from those available to equity and corporate credit investors, as the issuers are the governments of developed markets. As a result, engagement plays a limited role in the overall ESG integration process. Engagement activities, including on ESG, tend to occur occasionally when issuers are soliciting feedback from investors (both formally and informally).

CASE STUDY: Canada Mortgage Bonds (CMB) consultation response

Objective:
Provide opinion and feedback on the implications of eliminating the CMB program.

Engagement:
In 2023, the Canadian government announced that it was considering consolidating CMBs into the regular Government of Canada borrowing program. As CMBs are a more costly form of borrowing than regular Government of Canada bonds, this proposal to consolidate CMBs was intended to reduce borrowing costs and redirect savings to priority affordable housing programs. The government sought the views of all interested parties on this proposal, including bond issuers, mortgage lenders, government securities distributors, investors, and other interested stakeholders in the CMB program. The team formed its internal opinion and sent a letter to the Department of Finance Canada regarding its response to the proposal.

Outcome:
The majority of market participants opposed the proposal to consolidate the CMB program.

RBC European Fixed Income team

Approach

The RBC European Fixed Income team uses engagement mainly for information gathering purposes in its ESG integration process.

The team may engage with management through roadshows for new issuances or through sell-side conferences, where one-on-one meetings with issuers are facilitated.

CASE STUDY: Consumer Cyclical SLB

Objective:
To determine whether to add exposure to an issuer following its significant management and strategy change.

Engagement:
A UK-based multinational consumer products company went through an extensive management restructuring, replacing the CEO, CFO, and heads of all five business units. The company is now interested in pruning its brand portfolio to optimize returns and leverage, with an action plan calling for faster growth in 30 of its 'Power Brands'. The new CEO has identified the source of the recent underperformance as stemming from a lack of focus and competitiveness, implementing a culture change to remedy the situation. As part of the culture change, focus is given on a rewards-based remuneration structure to motivate staff to realign work ethics with the new objectives.

As part of the optimization efforts, management has also indicated that issuance of any ESG-labelled debt would be unlikely in the foreseeable future despite the company having been one of the earliest adopters of an ESG-labelled issuance program. Management will instead set company-wide ESG goals, progress towards which can be monitored independently.

Although the investment team recognizes the potential challenges in implementing a culture change, the team noted management's commitment to maintain a high level of satisfaction in the workforce and rewarding efficiency. On the ESG-labelled issuance program, the investment team understands the rationale behind the company's decision which was driven by the cost effectiveness due to the reporting burden on such programs.

Outcome:
The new strategy is supportive of the company's credit and ESG profile, and the investment team will look to opportunistically add the issuer back to its portfolios.

RBC Developed Markets Sovereign Fixed Income team

Approach

As sovereign fixed income investors, the engagement opportunities available to the team differ from those available to equity and corporate credit investors. As a result, engagement tends to play a more limited role in the overall ESG integration process. The team may have opportunities to attend meetings and presentations between policymakers and investors. This allows the team to gather further information and evaluate the transparency and quality of policymakers' responses to material concerns. Typically, the question-and-answer portion of these meetings and presentations provide an opportunity to voice ESG concerns that otherwise may have been unaddressed.

REAL ASSETS

RBC Private Markets Mortgage Investments team

Approach

The investment team's engagement opportunities on material ESG factors are generally with its origination partners, who in turn engage directly with the borrowers. Opportunities may arise where the team can engage directly with the borrower through direct meetings or during a site inspection. The team may also engage with its origination partners during the pre-investment phase where it has determined changes are required in order to proceed with financing. The RBC Private Markets Mortgage Investments team has several contacts within the industry and often has the opportunity to engage with existing and prospective clients to share knowledge and perspectives on a number of ESG topics.

CASE STUDY: Environmental standards

Objective:
Review consistency with Canadian Standard Association environmental site assessment standards and do not pose a risk to human health.

Engagement:
The investment team was assessing a mortgage investment secured by a newly contrasted industrial warehouse distribution facility. The development was constructed on a site where previous automobile manufacturing existed and environmental soil contamination occurred. As part of the environmental due diligence, the investment team engaged with the origination partner and environmental consultants to help ensure the subject property complied with all government standards.

Outcome:
The borrower will sign an undertaking to maintain throughout the term of the loan that all risk management measures outlined in the environmental site assessment will be complied with and followed.

RBC Private Markets Real Estate Equity Investments team

Approach

As significant owners of real assets, the engagement opportunities available to the investment team are more direct than those available to equity investors. As a result of the asset-level ownership, opportunities for engagement play a consistently important role in the overall stewardship process.

Engagement can be initiated at any time, and this is regularly prompted at certain times during the year, facilitating consistent monitoring. These regular occurrences include:

1. Annual capital budget process for properties, which identifies key capital initiatives related to ESG
2. Quarterly reports and co-owner meetings that regularly report on the status of capital projects
3. Annual Global Real Estate Sustainability Benchmark (GRESB) and Sustainability Accounting Standards Board (SASB) submissions that require detailed information.
4. Regular property level submissions for Leadership in Energy and Environmental Design (LEED), Building Owners and Managers Association, and Fitwell certifications
5. The development of a net-zero action plan

The investment team is able to make active decisions at the property level to effect change. For example, annual budgets (inclusive of ESG-related plans and expenditures) require approval, giving the investment team significant influence to effect change on a regular basis.

CASE STUDY: Energy & GHG emission reductions

Objective:
Monitor energy usage and GHG emissions.

Engagement:
Energy usage and GHG emissions are monitored annually for buildings within the portfolio, including the building in focus for this engagement. The investment team and its investment partner work together to help ensure that ESG mandates and energy reduction initiatives are present in relevant properties. This includes capital investments in environmentally friendly systems (low-flow plumbing, efficient HVAC systems, etc.).

Outcome:
The building has an Energy Star score of 95 and has achieved annual energy reductions of 4.6% annually since 2017 (vs. 2% annual target). In addition, it has reduced GHG emissions by 78% since 2007 levels, putting it well on its way to meet the goal of an 80% reduction by 2050.

RBC Private Markets Infrastructure Investments team

Approach

As this is a private investment model, active value creation and negotiation for appropriate governance rights are an important element of the investment program and for asserting alignment of interests and incentives across co-investment partners (shareholders), the boards of directors, and the management teams of each portfolio/investee company.

The investment team believes that accountability begins with transparency in reporting from the underlying investments' management teams. The investment team is committed to meeting rigorous internal reporting requirements, including the Global Real Estate Sustainability Benchmark.

These examples comprise a small selection of the hundreds of engagements our investment teams complete in any given year. For further information on these and RBC GAM's additional stewardship activities, please refer to www.rbcgam.com/ri.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issues.

Our approach to collaborative engagement

As a firm, we engage constructively with regulators, policy makers, as well as other stakeholders (including, but not limited to, industry bodies, lawmakers and civil society). We participate in initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. We recognize that advocating for policy, regulatory and legal reform can be more effective when market participants work together. Where interests are aligned, collaboration with like-minded investors, as well as other stakeholders can give us greater influence on issues specific to our investments and on broader, market-wide considerations. We work to encourage changes that are in the best interests of our clients.

As with our direct engagement activity (Principle 9), we participate in initiatives and collaborative engagements on ESG issues that we deem material to our investments. For example, corporate governance and climate change are generally material issues due to their broad and systemic nature. For specific collaborative engagement opportunities, we may evaluate both the materiality of the ESG issue and our portfolios' exposure to the issue.

Collaborative engagement case studies

RBC GAM is a member of several collaborative initiatives, and we continuously seek out opportunities to enhance our efforts. Below, we provide a selection of collaborative engagements conducted in 2023 and highlight our role as part of the broader collaborative initiatives. A full list of RBC GAM's collaborative initiatives is available in Our Approach to Responsible Investment and our activities in 2023 are summarised in Principle 4.[34]

Climate Action 100+ engagement with integrated energy company	**Approach** As a signatory to Climate Action 100+, in 2023 we participated in five collaborative engagements. For example, the BlueBay Fixed Income team engaged with an integrated oil company over the course of 2023.
	Collaborative engagement The objective of the engagement was to get insight into the company's emissions reduction target setting approach, and to request additional emissions-related as well as broader ESG disclosures. Over the course of the year, the investor collaboration met with representatives of the company.
	Outcome In 2023, the company published English language versions of its business plans and sustainability report, adopted some GHG emission reduction targets and established a Sustainability Committee. Areas of ongoing discussion include greater clarity on the broader climate strategy, management of methane emissions, as well as better management of worker health & safety.

[34] See footnote 12.

Canadian Coalition for Good Governance (CCGG) engagement with an IT Conglomerate	**Approach** As part of the CCGG's collective engagement program, RBC GAM may provide input on engagements that CCGG undertakes on behalf of its investor members, including RBC GAM. In 2023, CCGG completed 34 collective engagements. RBC GAM provided direct comments for eight and directly participated in two of the engagements. **Collaborative engagement** In one such example in 2023, the PH&N Canadian Equity team provided comments to CCGG on an upcoming CCGG engagement with a large Canadian IT business. The investment team requested that CCGG inquire into the company's succession planning for its current CEO, as this has been an issue in the past. This topic was included in the agenda for CCGG's engagement with the company, led by CCGG's Board Chair, in addition to three other members of CCGG's board and staff. **Outcome** The company provided an update on its approach to succession planning, indicating that for all key roles within the organization, including that of the CEO role, planning has become more formal and structured over time. They shared that the subject is often the top one or two items on the meeting agenda of its People, Culture and Compensation Committee, as well as of the board itself. The company also noted that several high-potential internal candidates, with both longer- and shorter-term potential, have been identified by the board through the company's talent management and succession planning processes, and that the CEO's succession plan is regularly discussed with the CEO and in his absence (in-camera) at board meetings. The CCGG's notes have informed the investment team's view of the business as well as confirmed this is an issue the board is aware of and is taking steps to address.
Participation in the World Wildlife Fund (WWF) Deforestation and Conversion Free (DCF) Implementation Toolkit	**Approach** As members of Emerging Markets Investors Alliance (EMIA), the BlueBay Fixed Income team participates in the agricultural workstream. For the past few years, this workstream has been focusing on improving the ESG practices of Brazilian food producers. One high priority issue has been deforestation. In 2021, the group initiated a project to work with the WWF (a not-for-profit environmental organization) on piloting its DCF Implementation Toolkit. This had been adapted to provide financial institutions with a means of assessing the progress of invested companies towards deforestation free supply. **Collaborative Engagement** In the first phase of the project back in 2022, EMIA members, including the BlueBay Fixed Income team, worked with WWF to identify companies to participate in the pilot of the toolkit, supported outreach efforts, as well as provide input into company assessment reports. During the course of 2023, the BlueBay Fixed Income team continued to support company engagement efforts, including encouraging those which had yet to participate in the first phase, to do so for the second. **Outcome** A collaborative effort between several not-for-profit organizations, the DCF toolkit is a comprehensive framework to support companies in achieving sustainable supply chains. The team believes the toolkit has the potential to be a valuable tool given the wide-ranging expertise that has informed it. The efforts to adapt the toolkits outputs were welcomed so that the toolkit will help investors make more informed analyses of companies' exposure to and management of deforestation risks, and better equip them regarding company engagement. The team will continue to participate in the initiative and provide feedback and insights to inform the toolkit's development.

For further information on these and RBC GAM's additional stewardship activities, please refer to www.rbcgam.com/ri.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalation of stewardship activities

We assess our stewardship activities through the lens of our clients' best interests. In each case, we consider the most effective way to address issues with investee issuers, and when it may be appropriate, to escalate our stewardship activities in order to contribute to the long-term sustainable growth of our investments.

The following describes three escalation methods that we may employ as part of our stewardship activities.[35]

Private dialogue

At RBC GAM, we have a strong preference to maintain an open dialogue with our investee issuers to address any material ESG-related matters. We believe that this approach promotes strong relationships with issuers and enables us to raise our concerns and convey our views from an investor's perspective and allows our issuers to address these concerns in the ways they deem best for their businesses. We engage in private dialogue and may seek out like-minded investors to collaboratively engage with the issuer as a form of escalation.

Forms of escalation

- Engaging to inquire about an issuer's approach and policies for managing specific material issues
- Engaging to request the issuer improve disclosure, create a strategy, or implement sector best practices related to the material ESG issue
- Joining like-minded investors in a collaborative engagement, requesting the issuer improve disclosure, create a strategy, or implement best practices related to the material ESG issue

Public statements

Where we see a need for accelerated progress from issuers on material ESG issues that have not been adequately addressed through private dialogue and/or proxy voting, we consider other public avenues to encourage change. This may include issuing or supporting public statements that target specific markets and/or issuers. In these cases, we may take public action collaboratively with other like-minded investors. We use this method sparingly.

Forms of escalation

- Issue or become a signatory on a public statement requesting specific issuer actions related to the material ESG issue

[35] The escalation methods described are non-exhaustive, and should not be interpreted to supersede escalation approaches that may be required under specific regulations, such as SFDR.

Proxy voting

We often use proxy voting to signal our views on material ESG issues to management teams and boards of directors, in line with our Proxy Voting Guidelines. Depending on the ESG factor, proxy voting may be the first action taken to escalate our stewardship with an issuer. For example, for several governance factors, like executive compensation and board gender diversity, the proxy voting circular is the first opportunity to address the issue, which can then further be addressed by engagement or other forms of escalation. In other cases, our teams may engage with an issuer first to better understand a material ESG issue and assess the issuer's willingness to address the issue through private dialogue, before casting our votes against management's recommendations and publicly expressing our views.

Forms of escalation:

- Voting against management on a ballot item and/or withholding votes from a specific director.
- Implementing a more stringent voting policy for the ESG issue being considered and/or with-holding votes from the entire sub-committee responsible for overseeing the ESG issue and/or the Chair of the Board.
- Filing a shareholder proposal to address the material ESG issue directly. We use this method sparingly.

Escalation is an iterative process, and each of the methods we may employ is informed by the overall escalation objective. For example, information gathered through engagement may result in escalation through proxy voting, or lead to further engagement opportunities either directly or collaboratively. Similarly, a public statement may lead issuers to reach out to their investors to engage on a material ESG topic that the issuer had not previously been interested in addressing with investors.

Ultimately, at any stage of engagement with an issuer, our investment teams may choose to divest from the investment entirely. This may occur when the investment team does not believe that the relevant ESG issue is being appropriately managed, despite ongoing engagement and stewardship efforts, and determines that the issue materially affects the investment case overall. In addition, there may be circumstances where we determine escalation is not the best course of action, and a portfolio is better served through divestment. This could be because we believe the likelihood of a successful engagement is low or because we believe the resources required to escalate the issue would better serve the portfolio if allocated elsewhere. The management of and exposure to ESG risks and opportunities, and/or the outcomes of an engagement, generally are not the sole factor in an investment decision but can help inform the investment case. It is at the discretion of each investment team to decide whether to continue with an investment or to divest, in line with the best interests of the portfolio and its clients.

For more information about engagement objectives and specific considerations across asset classes and geographies, please see Principle 9. For more information on our collaborative initiatives, please see Principle 10.

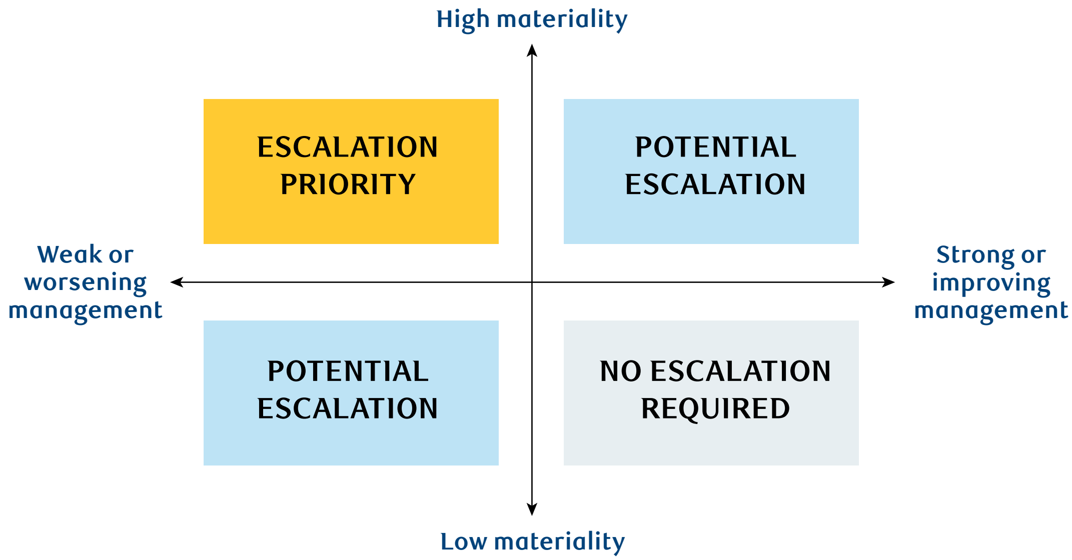
LIMITATIONS TO ESCALATION IN FIXED INCOME

Fixed income investors are not owners, and as such, have more limited mechanisms to influence issuers (e.g., limited access to proxy voting). In addition, seeking to engage a non-corporate issuer, such as a sovereign, is potentially more challenging than influencing a company. Investors are not their primary stakeholder (this is the voting populace) and seeking change could be seen to be political interference or infringing on sovereignty. Therefore, the scale and pace of change is often slower than for corporates.

For more detail, see *Common characteristics of engagement within the fixed income asset class.*

Selecting and prioritizing issues for escalation

In determining the appropriate method and extent of escalation in our stewardship efforts with a particular holding, the primary considerations we use to prioritize our efforts are materiality and the issuer's performance in managing or mitigating the issue, as demonstrated in the following graphic:



1. **High Materiality | Weak or Worsening Management**: An escalation priority typically arises when an issuer is exposed to a highly material ESG factor and is not employing adequate measures to manage and address the risks and/or opportunities related to that factor. In this case, our investment teams may employ the escalation methods they deem most appropriate for conveying their views on the material ESG matter. Engagement and/or escalation objectives may be established using the team's direct investment and ESG research on the topic and drawing on established best practice frameworks. Investment teams may also collaborate with the RI team and /or other like- minded investors in escalating the matter.
2. **High Materiality | Strong or Improving Management**: Where an issuer is exposed to a high materiality ESG factor, our investment teams monitor the issuer's management of, and exposure to, that factor as part of their ESG integration and investment monitoring processes, where applicable. When an issuer is employing best practices and managing its exposure to the issue effectively, there is typically no need to escalate our stewardship activities. Rather, investment teams can continue to monitor the issuer's management of the factor for any material changes, and any potential engagement activities tend to focus on information gathering rather than escalation objectives.
3. **Low Materiality | Strong or Improving Management:** Where an issuer is not materially exposed to specific ESG risks, and the issuer has appropriate ESG policies and strategies in place, there is typically no need to escalate our stewardship activities with that issuer. Instead, our investment teams may monitor the issuer for any controversies, events, or changes that might raise the materiality of a specific ESG factor and warrant further investigation.
4. **Low Materiality | Weak or Worsening Management**: Where an issuer is not materially exposed to specific ESG risks and the issuer does not have appropriate ESG policies and strategies in place, there is typically no need to escalate our stewardship activities. Rather, investment teams might monitor the issuer's exposure to ESG factors for any potential changes in materiality. They may also encourage the issuer to implement sector best practices over the long term to help ensure appropriate policies are in effect and help avoid creating a potential future material ESG-related risk or controversy.

In addition to materiality and issuers' management of ESG factors, where there are multiple issuers, both with highly material ESG risks, our investment teams may prioritize escalation of efforts with the issuer that represents a larger investment in the portfolio. This is because positive action from a larger investment position is likely to have a greater effect on the long-term risk-adjusted returns of the portfolio, compared to changes in a smaller investment.

Teams may also choose to use less resource-intensive methods of escalation for smaller holdings or lower-priority items and use higher intensity methods for large holdings and higher-priority matters. For example, we may send a letter to a smaller holding, while meeting directly with larger holdings.

For more information on how materiality is determined across asset classes and geographies, please refer to Principle 7.

Escalation case studies

On the next page, we highlight a selection of case studies where we escalated our stewardship activities to express our views to boards of directors and management teams, and to encourage progress on material ESG issues.

Please note that although we do include a description of outcomes in our case studies, it can be difficult to attribute RBC GAM's engagement and escalation activities with a direct outcome. Such challenges include the fact that other investors may also be engaging with the issuer; issuers may not want to formally attribute an outcome or change to our engagement; and the timeframe between the engagement taking place and the outcome can be considerable, particularly in emerging markets.

Proxy voting and engagement on board diversity	**Approach** As a signatory to the 30% Club Canada Investor Group, we engage with S&P/TSX Composite Index companies with the objective of prompt and considered action to achieve and exceed a 30% board gender diversity target and to enhance the presence of other underrepresented groups on their boards and at the executive management. As of 2023, 36.2% of board seats were held by women at S&P/TSX Composite Index companies.[36] The 30% Club Canada Investor Group updated its Statement of Intent in 2022 to address dimensions of diversity beyond gender and communicate the importance of improving representation of diverse groups at the executive management and board levels.
	Escalation Our Proxy Voting Guidelines state that if a board has less than 30% women directors and lacks an adequate gender diversity policy, we may vote against members of the Nominating or Corporate Governance committees. This guideline was put in place in 2021 and has been maintained since that time. In 2021, we updated our Proxy Voting Guidelines to encourage companies to disclose information on the diversity of their board of directors, executive and/or senior management teams, and wider workforce. In 2022 and 2023, in order to convey our views on enhancing diversity on boards, we further updated our Proxy Voting Guidelines to state we may take voting action where there are no board nominees from racially or ethnically underrepresented groups based on self-identification.
	Outcome In 2023, RBC GAM voted against the recommendations of management on 2,450 proposals globally on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 2,450 proposals, we voted against the election of the nominee at least in part due to board gender diversity concerns on 1,392 (~57%) proposals.[37] This figure is down from those disclosed in our 2021 and 2022 Commitment to the UK Stewardship Code (~60% and ~58%, respectively). Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.). Regarding other dimensions of diversity, we did not systematically vote against the election of directors where there were no board nominees from racially or ethnically underrepresented groups in 2023 although we maintain the discretion to do so in our Proxy Voting Guidelines. After conducting a review of current board disclosure practices in the U.S., UK, and Canada, we determined board diversity disclosure practices were insufficient for a voting approach we believe would be additive to our stewardship activities. We monitored the voting recommendations of our proxy service provider, ISS, based on its local voting policies in the U.S. and UK which require at least one racially or ethnically diverse director, based on ISS data. ISS is extending this voting approach to S&P/TSX Composite Index companies in Canada in 2024. We will continue to monitor disclosure trends and data quality in this area.
	Update In 2022, we completed vote changes at the meetings of 17 issuers on 35 total proposals where ISS recommended that we vote against the election of a director due to the board having less than 30% women directors.[38] In these cases, we determined votes supporting the directors' elections were in the best interests of our portfolios and rationales included, but were not limited to: ▪ Giving boards adequate time to fill a board seat after a recent departure or retirement of women from the board. ▪ Continuing our engagements with boards that were making progress on improving board gender diversity over time. ▪ Communicating our requirement to increase board gender diversity or adopt an adequate board gender diversity policy to do so by the next annual meeting of shareholders. In 2023, of the 17 issuers where we completed a vote change in 2022 regarding board gender diversity: ▪ We voted against the election of at least one director due to insufficient board gender diversity at five meetings. ▪ 10 issuers increased their board gender diversity level to at least 30% at the time of the 2023 meeting. ▪ We completed an additional vote override on board gender diversity at one meeting due a recent merger and its impact on board composition. ▪ There was no director to vote against based on board gender diversity at one issuer's 2023 meeting.

[36] Diversity Disclosure Practices: Diversity and leadership at Canadian public companies. Osler.
[37] This figure includes votes against the election of directors on 17 proposals in markets where the RBC GAM Proxy Voting Guidelines do not apply. For issuers outside of the U.S., Canada, UK, Ireland, Australia, and New Zealand, we use the local voting policy of ISS. Local voting policies of ISS may include board gender diversity guidelines
[38] In scenarios where we believe the custom voting recommendations from ISS are inconsistent with the Proxy Voting Guidelines, and/or do not reflect the best interests of the portfolios, a vote change process will be initiated. A vote change request is escalated to our Proxy Voting Committee to confirm the proposed vote is sufficiently aligned with good governance practices, as determined by RBC GAM, and does not pose undue risk to the portfolio.

Public investor statement on climate change	**Approach** The impacts of climate change are systemic and unprecedented. They are also already apparent. We view climate change as a systemic risk that has the potential to affect the global economy. It is also a cross-cutting risk that may both impact and amplify other principal risk types, such as investment risk and operational risk. The impacts of climate change on specific markets, regions, and investments are complex, varied, and uncertain. Part of our commitments under our Approach to Climate Change and Net-Zero Ambition is to continue to escalate our active stewardship initiatives with a focus on responding to climate-related risks and opportunities. To date, we have participated in proxy voting, engagement, and collaborative engagements with a goal of encouraging companies to address their material climate-related risks and opportunities. Although some progress has been made, in part as a result of these efforts, more action is required in order to achieve the goal of global net-zero emissions by 2050 or sooner.
	Escalation In 2023, we took the below escalation steps in our stewardship activities: *Collaborative Initiatives* ▪ We continued our participation in five Climate Action 100+ engagements. ▪ We continued our participation in four Climate Engagement Canada engagements. *Direct Engagement* Certain investment teams executed team-specific approaches to escalate climate-related risks and opportunities through direct engagement. For example, in 2023, the RBC Emerging Markets Equity team conducted a net-zero alignment survey on its portfolio holdings. The team used this survey to score each holding on its climate mitigation actions and climate change reporting.[39] *Proxy Voting* Continued to escalate climate-related issues through our proxy voting activities on shareholder proposals and director elections, where appropriate.
	Outcome & Updates *Collaborative Initiatives* We engaged with a Canadian-based integrated energy company as part of a collaborative initiative. This included a meeting with the CEO and CFO to discuss the company's decarbonization strategy, capital allocation plans, and lobbying and advocacy disclosures. In 2023, the company published climate-related lobbying disclosures, which has been a request through engagements, as it provides greater transparency into the company's policy engagement with government(s) and alignment to climate-related priorities. A follow-up meeting has been requested with the CFO to discuss if and how the company's accounting practices and related disclosures reflect identified climate risks. In 2023 we also engaged with another Canadian integrated oil and gas company to better understand its decarbonization strategy and capital alignment in line with emissions reduction targets established in 2022. We met with management as part of a collaborative initiative and sent a letter requesting to meet with the board of directors to discuss board oversight of decarbonization plans, and other climate-related issues. While the engagement is ongoing, over the course of this engagement (based on CA100+ Net Zero Benchmark) the company has demonstrated progress in setting a net-zero emissions by 2050 ambition, short-, medium- and long-term emission reduction targets, and TCFD aligned disclosure. Moving forward engagement will focus on the company's decarbonization strategy, capital allocation, and climate policy engagement.

[39] Individual investment teams also engaged with specific issuers where climate change represented material risks and opportunities in 2023. This example serves to highlight a specific initiative by the RBC Emerging Markets Equity team.

Public investor statement on climate change (continued)

Direct Engagement
The RBC Emerging Markets Equity team considered several factors in its net-zero alignment survey. This included an assessment on carbon reduction targets, in particular:

- Whether the issuer had a shorter-term reduction target (typically a target to reduce emissions by a certain percentage by 2030).
- Whether the issuer had a long-term net-zero target year.
  - If so, whether the issuer had a clear and credible plan to meet its net-zero target (referred to as a long-term net-zero plan).

Through the survey, the team determined 70% of surveyed issuers had a short-term carbon reduction target and 78% had a long-term net-zero target year. A lower percentage, 56%, had a long-term net-zero plan.

The investment team found that net-zero years differed considerably by issuer and did not always align with the Paris Agreement's target year of 2050. It believed one contributor to the difference was that several issuers had aligned their net-zero year with that of their country (e.g., Brazil, China, and Indonesia, target to be net-zero by 2060). The investment team started to engage with some issuers with net-zero targets set for years further out in the future in the hope that they will bring this target forward.

Additional factors considered in the survey included how long the issuer had been disclosing its emissions, whether it had a science-based or net-zero target that was SBTi verified, or whether it had committed to get it SBTi verified, and an assessment of the detail and quality of climate-related disclosures.

The investment team combined these factors to score the surveyed issuers and is focusing its engagement efforts on issuers with a score below its determined threshold.

Proxy Voting
In 2023, we supported roughly 45% of proposals that our proxy service provider, ISS, categorized as either a 'Report on Climate Change' or 'GHG Emissions'; an increase from roughly 30% in 2022. In addition, we supported 75% of proposals classified by ISS as 'Climate Change Lobbying'. We did not identify a noticeable trend in the types of climate-related shareholder proposals we supported in 2023 compared to 2022. We generally supported proposals requesting enhanced disclosure on GHG emissions and/or GHG emission reduction targets, climate-related lobbying, and climate-related risks and opportunities. However, consistent with our approach to evaluating shareholder proposals, we voted against proposals that we determined to be overly prescriptive or not in the best interests of shareholders. For example, proposals directing issuers to implement specific policies or restrictions, or to set targets that were not suitable for the issuer.

We also voted against the election of a director to the board of three issuers in 2023 where we determined climate-related risks and opportunities were insufficiently addressed. Although this is a small percentage of our overall votes on director elections, we believe it is an appropriate number at this stage given our approach to materiality and escalation described in this Principle. In these three cases, we determined climate change presented a material risk to the issuer, that climate-related risks were not being addressed sufficiently, and that engagement had either been unsuccessful or would not likely be an effective stewardship mechanism.

More information on how we address climate change as a systemic risk is provided in Principle 4. Principle 7 provides case examples of specific teams' integration of climate-related risks and opportunities in investment decisions. Principle 9 provides case examples of direct engagement on climate change. Principle 10 provides case examples of collaborative engagement on climate change. Principle 12 provides a selection of voting statistics for climate-related shareholder proposals.

	Approach The board of directors of a company must act in the best interests of that company. The board engages the services of a management team to work towards the company's long-term growth and development. The board's key functions are to approve direction of corporate strategy, supervise risk management, succession plan for the CEO, and evaluate the performance of the company and of management. We believe governance shortcomings can play an important role in the underperformance of a company. This could be due to factors such as poor oversight, poor risk management, management entrenchment, or inadequate checks on management decisions, among others. Given the importance of the board, there are several factors worth considering when evaluating its suitability and performance. For instance, to enhance overall board effectiveness we expect that directors will have a diverse range of backgrounds and experience. We believe an effective board should include directors with a mix of professional experience relevant to the issuer.
Escalation amidst board structure concerns	**Escalation** In the case of a North American real estate investment company, RBC GAM identified concerns with recent changes to the board. Specifically, the issuer announced that a member of the issuer's executive team would be stepping down, becoming a consultant to the issuer, and joining the board. From a governance perspective, the RBC North American Equity team noted that the board already had two directors considered insiders: the issuer's founder and its CEO. Although the team determined that the issuer had appropriate independence mechanisms in place—such as over 2/3 of directors being independent, fully independent key committees, and the appointment of a Lead Independent Director—the team believed the board already had sufficient insider representation in place.
	Outcome RBC GAM voted against the election of the new nominee to the board at the issuer's 2023 annual meeting. Overall, the team was satisfied with the nominee's role as a consultant. The investment team believed the benefits gained through a diversity of views and backgrounds on the board outweighed the benefits of adding another insider to the board. The nominee was successfully nominated to the board at the 2023 meeting. While this was not in line with RBC GAM's preference, we generally remained invested in the issuer for applicable portfolios in 2023. The investment team subsequently engaged with the board. The board was receptive to the team's concerns and the investment team will monitor the situation moving forward. Principle 12 provides more information on our proxy voting activities and how we voted in 2023.

Addressing unequal voting rights through proxy voting	**Approach** When a firm has dual-class shares, some classes of shares are given multiple votes per share, which results in unequal voting rights between classes of shares. The principle of "one share, one vote" is contravened by this structure. Unequal voting right structures can allow minority shareholders to make decisions that may not be supported by most shareholders. We believe dual-class share arrangements can negatively impact minority investors by giving insiders who are both shareholders and managers voting power that is disproportionate to their equity participation. In our view, this can facilitate controlling shareholders making decisions that are not in the best interests of minority shareholders, such as pursuing or rejecting certain transactions. Furthermore, it can lead to governance risks and oversight risks, and pave the way for poor alignment between pay and performance. Nonetheless, such control is sometimes desired by investors since it can enable management and business owners to carry out their plans more efficiently (particularly in the initial years of a newly public firm). The key argument in such scenarios is that management's ability to act with more efficiency outweighs the governance risks associated with such an arrangement. We believe that there are exceptions where it may be in shareholders' best interests to continue operating under this unequal voting rights structure. For instance, there may be cases where we believe a founder or group of founders should continue to have full control of the company to keep creating shareholder value. That said, we believe these cases should generally be supported by shareholder protections. We also recognize that when investing in an issuer with unequal voting rights, this is a known factor to the investor, which can be incorporated into the analysis.
	Escalation The governance issue of unequal voting rights is a longstanding one, and in 2023, we updated our Proxy Voting Guidelines to reflect our general voting approach for issuers with unequal voting right structures. Specifically, where an issuer that has historically used an unequal voting rights structure does not have adequate protections for minority shareholders, we may vote against members of the corporate governance committee. At a minimum, we believe that adequate protections for minority shareholders should include either: ▪ A regular binding vote for holders of subordinate voting shares on whether the capital structure should be maintained; or ▪ A sunset clause to eliminate the unequal voting right structure. Finally, in order to increase transparency and give minority shareholders and the board a better understanding of how the various classes of shares were voted, we strongly encourage companies that maintain a share structure with unequal voting rights to disclose voting results broken down by each class of shares.
	Outcome In 2023, RBC GAM voted against the recommendations of management on 2,450 proposals on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 2,450 proposals, we voted against the election of the nominee at least in part due to our unequal voting right structure voting guideline on 226 (~9.3%) proposals. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g. gender diversity, board independence, etc.).

These examples comprise a small selection of the escalation activities we may complete in any given year. For further information on these and RBC GAM's additional stewardship activities, please refer to www.rbcgam.com/ri.

Principle 12

Signatories actively exercise their rights and responsibilities.

Exercising our proxy voting rights

Voting responsibly is part of our fiduciary duty. It is our policy to exercise the voting rights of the accounts we manage in the best interests of our clients. For example, through the exercise of our voting rights we encourage issuers and their boards of directors to consider and adopt recognized best practices in governance and disclosure.

Our proxy voting policy

Our proxy voting activities are governed by our Proxy Voting Guidelines and applicable regional proxy voting policies, which set out procedures for administering our votes, escalating any voting issues, and identifying and managing conflicts of interest. We vote our shares independently and in accordance with our Proxy Voting Guidelines.

Proxy voting is managed centrally by the RI team for all RBC GAM funds, except for those managed by third-party sub-advisors, certain portfolios of the BlueBay Fixed Income team, and select institutional client accounts, as requested by them.

We generally do not vote on ballots that employ shareblocking, where trading is restricted from the time a proxy is voted until after the annual meeting.[40] This generally accounts for less than 1% of our total votes annually. We may choose to vote at a meeting where shareblocking is used if a particular proposal is material enough to outweigh liquidity concerns.

When our funds participate in securities lending, we recall all loaned securities in North America for the purpose of proxy voting. Outside of North America, we recall loaned securities when we hold 1% or greater of the outstanding voting shares or when we believe there is a significant voting issue for which RBC GAM's position could impact the result. We do not borrow shares in order to exercise additional proxy voting rights. RBC GAM mutual funds in the U.S. and our RBC Funds (LUX) funds do not participate in securities lending.

In instances where we sold our position but are eligible to vote at a meeting based on our position on the record date, our proxy voting process still applies and we will vote according to our Proxy Voting Guidelines. In many cases, we may reinvest in the company, or votes may signal stronger governance practices, so applying our same approach to each vote is consistent with our principal duty to maximize investment returns for our clients without undue risk of loss.

Our proxy voting guidelines

The RBC GAM Proxy Voting Guidelines are our custom voting guidelines, which describe the principles we support and how we generally vote on issues raised on proxy voting ballots. They have been developed using our internal expertise and resources, with reference to guidance by leading independent research firms. The guidelines are published on our website for the information of clients and to assist issuers in understanding our approach to proxy voting. The Proxy Voting Guidelines are applied for issuers in Canada, the U.S., the UK, Ireland, Australia, and New Zealand. In all other markets, RBC GAM utilizes the local benchmark voting policy of ISS.

[40] Shareblocking is the practice in some markets in which a shareholder is prevented from buying or selling stock in a company from the time the shareholder's votes were submitted until the meeting date (this period can be over two weeks). Our approach is to generally not vote shares that are subject to share-blocking.

Our Proxy Voting Guidelines are comprehensive and set out detailed guidance on topics including:

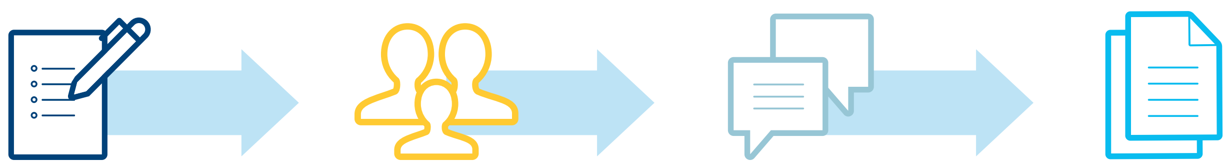
- The structure and independence of the board of directors
- Executive management and director compensation
- Takeover protection and transactions
- Shareholder rights
- Environmental and social issues

We review and update our Proxy Voting Guidelines on an annual basis to reflect any changes in what we believe to be corporate governance best practices. All changes are reviewed by our Proxy Voting Committee and approved by our CIO (described in Principle 8). We highlight certain updates to our Proxy Voting Guidelines in quarterly institutional client reporting and through insight pieces.

Our proxy voting process

The exercise of voting rights requires an ongoing assessment of an issuer's management and directors, its performance, its ESG practices, and the impact a vote may have on the value of the company's securities. Our proxy voting process is administered by our RI team, with input from investment teams, research firms, and the Proxy Voting Committee, as required.

Although voting opportunities are more limited for fixed income portfolios, it can and does occur. It is most common for convertible and high yield bond investments, where an allocation may take on formal voting rights, or the risk is greater of potential debt restructuring measures. During 2023, we initiated the transition of proxy voting for the BlueBay Fixed Income team portfolios onto ISS' Proxy Exchange platform. See the section entitled Proxy Voting Process for BlueBay Fixed Income Team Portfolios for more detail.



We implement our custom Proxy Voting Guidelines, and engage a proxy advisor to recommend a voting position for each individual ballot item, based on our guidelines.

Our RI team reviews each ballot item, and draws on the expertise of the investment teams and analysis from leading research firms, where appropriate.

Exceptional votes are addressed by our internal Proxy Voting Committee. This committee also implements processes to manage conflicts of interest and protect the independence of our voting decisions. Except in exceptional circumstances, we do not publicly disclose how we intend to vote or provide rationales for our votes on specific issues ahead of time.

We make our proxy voting records publicly available on the RBC GAM website in accordance with applicable regulations. We also provide commentary on our proxy voting activities in certain reports and thought pieces, and provide additional reporting to clients.

Our RI team manages proxy voting for RBC GAM, excluding funds managed by external sub-advisors, certain portfolios managed by the BlueBay fixed income team, and portfolios where clients retain their own voting discretion. This proxy voting process is only applicable for proxy voting executed by the RI team.

The RI team is responsible for administering proxy voting in accordance with the Proxy Voting Guidelines and supporting investment teams in proxy voting decisions with research and analysis. Proposals are reviewed before our vote is finalized. Where necessary, we rely on research on management performance and ESG issues from portfolio manager and analyst due diligence, information provided by leading independent research firms such as ISS and Glass Lewis & Co., and involvement in organizations such as CCGG, the 30% Club Canadian Investor Group, and Climate Action 100+.

We have retained ISS to provide proxy voting administration services on our behalf. ISS's custom research team makes recommendations on how proposals should be voted, in accordance with our Proxy Voting Guidelines, where applicable. However, the RI and investment teams evaluate these recommendations prior to finalizing our vote in order to determine if the vote would be in the best interests of our portfolios and our clients. Although the research and voting recommendations of both ISS and Glass Lewis & Co. may be considered as part of the voting decision process, ultimately, we make all voting decisions independently.

The Proxy Voting Guidelines may not specifically address each voting issue that may be encountered. In these cases, RBC GAM will review ISS's local benchmark voting policies and decide accordingly. We engage with ISS in advance of our annual review and update of the Proxy Voting Guidelines, as well as throughout the year to identify instances where our intentions align with ISS's benchmark voting recommendations in order to facilitate proper implementation. Further, our review of voting recommendations is completed regardless of whether the recommendation is based on our custom Proxy Voting Guidelines or ISS's local benchmark voting policy. We work closely with ISS to help ensure that the quality and accuracy of voting recommendations and their effective execution are maintained. Details on the monitoring process for our proxy voting providers are included in Principle 8 above.

From time to time, instances may arise where RBC GAM believes it is in the best interests of our portfolios to deviate from the proxy voting recommendations of ISS based on the unique circumstances of the issuer or where our proxy voting may give rise to an actual, potential, or perceived conflict of interest. In these circumstances, the RI team will consult with investment teams and escalate the matter to the Proxy Voting Committee. Committee members include the Head of the RI team and the CIO, among others. The CIO retains ultimate voting decision authority.

We generally do not vote shares that are subject to shareblocking restrictions, unless we determine it is in our clients' best interest to do so, since we believe that this practice is not in the interest of shareholders.

Every year we track the number of shares voted during the year and the percentage of shares voted, as well as cases where we voted against management or deviated from our guideline recommendations.

Finally, we conduct a quarterly reconciliation process to determine if the number of votes submitted at issuer meetings match internal records of securities held in affected accounts and portfolios. Where issues are identified, they are escalated to ISS and/ or the appropriate custodian, as required. This process complements ISS' reconciliation process, which reviews ballots received against a record of our retail fund holdings.

Exercising voting rights across funds, assets, and geographies

Our Proxy Voting Guidelines are applied in Canada, the U.S., the UK, Ireland, Australia, and New Zealand. In all other markets, RBC GAM applies ISS's local benchmark voting policies. In all cases, RBC GAM reviews meetings and proposals to help ensure votes are submitted in the best interests of our clients. RBC GAM can override the recommended votes of ISS's research teams in the event the recommended votes would not be in the best interests of our portfolios.

The insights and expertise of our investment teams are particularly valuable in markets where the Proxy Voting Guidelines do not apply. Individual markets have differing corporate governance norms and are at various stages of development in corporate governance practices. As our issuer, geography, and industry experts, our investment teams may identify market- and issuer-specific nuances to help ensure that our votes are fully informed and cast in a way that contributes to our principal duty to maximize investment returns for our clients without undue risk of loss.

Engagements with issuers can also play an important role in these markets. As long-term investors, our engagement efforts focus on building long-lasting relationships with management teams. These relationships provide us with the avenue to gain context and rationales around specific voting items and material ESG issues, informing both voting and investment decisions. More information on our engagement approach is provided in Principle 9.

Voting activity is limited in fixed income portfolios and largely addresses transactional items. Regardless of asset class, transactional voting items are escalated to investment teams. As a result, investment teams also provide direct input on voting items within fixed income portfolios.

RBC GAM generally votes in the same way across all internally managed funds, in accordance with our Proxy Voting Guidelines. This function is centralized as we believe that the principles we apply in proxy voting are in the best interests of clients and unitholders invested in the portfolio companies, with a view to enhancing their long-term value. In the event that portfolio managers of separate funds wish to vote differently on a proposal, the vote decision is escalated to the CIO for approval.

Monitoring our voting rights

We retain the services of ISS to execute our proxy votes, once we make our voting decisions. RBC GAM works directly with ISS and our custodians to set up accounts for voting in ISS' online voting platform, ProxyExchange. RBC GAM also uploads our retail funds' holding details to ProxyExchange to facilitate reconciliation between our holdings and the number of shares listed on ballots received by ISS. The RI team is able to view votable share positions and relevant shareholders' meeting information directly in the ProxyExchange platform.

As a regular item for institutional client onboarding onto the RBC GAM investment platform, we determine whether our clients would like RBC GAM to manage their segregated portfolios' proxy voting rights. The RI team then initiates account onboarding onto the ProxyExchange platform. Finally, we conduct a quarterly reconciliation analysis to reconcile between the number of votes submitted at issuer meetings through the ISS platform and our internal records of securities held in those accounts and portfolios. Issues identified through the reconciliation process are then escalated to be resolved.

In 2021, we began working toward more robust voting reconciliation through ISS's operations team. Daily holdings feeds were set up in 2021 for retail funds offered by RBC GAM Inc. and RBC Funds (LUX), consistent with the existing practice for RBC GAM-US mutual funds. In 2022, a thorough review was completed to identify missing account data and conduct account maintenance to improve the reconciliation process. This initiative was complemented by education sessions for the RI team with custodians, ballot providers, and ISS, in order to enhance our understanding of the mechanics of the proxy voting system. In 2023, we revisited the existing holdings feed for RBC GAM-US mutual funds. The process was updated to align with the updated process put in place for RBC GAM Inc. retail funds and RBC Funds (LUX).

RBC GAM stays up to date on our power of attorney filings in jurisdictions where they are required for us to vote. We have encountered challenges in this area in the past, as nuances at the sub-custodian level can sometimes lead to vote rejections. In 2021, we initiated detailed conversations with our main custodian and its power of attorney service provider to better understand where issues emerged. We leveraged these conversations in 2022 by streamlining our annual power of attorney review and update process. We further refined this process in 2023, conducting a portfolio mapping exercise to identify those most likely to vote in key power of attorney markets. This process included an expansion to fixed income portfolios more likely to vote by proxy in a given year, such as high yield and convertible bond strategies.

Exceptions to our Proxy Voting Approach

As indicated, RBC GAM generally votes the same way across all internally managed funds, in accordance with our Proxy Voting Guidelines. We believe that our Proxy Voting Guidelines represent sound practices in corporate governance and RI. Our approach to active stewardship, including a thoughtful approach to proxy voting, is designed to maximize risk-adjusted returns for our clients, without undue risk of loss. However, there are cases in which the proxy voting for specific portfolios is not centrally managed and for which there is a different voting approach:

- **Segregated client accounts**: Some institutional clients may wish to implement more customized proxy voting policies or use the proxy voting policy of a third party. In such instances, we generally recommend that clients manage their own voting, but will evaluate such agreements on a case-by-case basis.
- **BlueBay fixed income investment platform**: In 2023, certain BlueBay Fixed Income team portfolios' proxy voting continued to be administered by RBC BlueBay Corporate Actions team, with support from the RI team. The RBC BlueBay Corporate Actions team consulted with investment teams on voting decisions in these instances. Work is ongoing to transition the remaining BlueBay fixed income investment platform accounts to the RI team's proxy voting process. Further detail can be found within the section below on Proxy Voting Process for BlueBay Fixed Income Team Portfolios.
- **Third-party sub-advisors**: Certain portfolios are externally managed for RBC GAM by third-party sub-advisors. In these cases, proxy voting is conducted in accordance with the proxy voting policies and procedures of the sub-advisor.

Proxy voting records

The proxy voting records of our retail funds are publicly available on our regional websites and are updated periodically, in accordance with applicable regulations. Our proxy voting records can be searched by fund or company name. In addition, we provide an overview of our proxy voting activities, including our proxy voting rationale in some instances, in certain reports and thought pieces. We may also provide additional customized proxy voting reporting to our institutional clients on a regular or ad-hoc basis, as requested, depending on the client and investment team.

In order to increase transparency and visibility to our clients, we also report on the rationales behind key resolutions, such as where we voted against the recommendations of management for internally managed funds offered by RBC GAM Inc. In our 2021 and 2022 Commitment to the UK Stewardship Code, we noted an intention to work towards expanding our vote rationale disclosure into other markets. In 2023, these efforts were deprioritized in order to focus our efforts on enhancing procedural aspects of our proxy voting analysis, address ESG-related regulatory requirements, and other strategic priorities. In addition, traffic to our proxy voting disclosure pages remains low, suggesting we could better meet the evolving needs of our clients elsewhere.

In exceptional circumstances, where we believe it is appropriate and in our clients' best interests to do so, we will disclose in advance how we intend to vote on a particular issue and provide the rationale for our voting decision.

For retail funds that are externally managed for RBC GAM Inc., third-party sub-advisors submit voting records to RBC GAM on a quarterly basis for public disclosure. In 2023, the BlueBay fixed income investment platform also submitted voting records to RBC GAM on a quarterly basis for public disclosure for the prospectus-qualified funds sub-advised for RBC GAM Inc. This was discontinued once the funds were transitioned to ISS' ProxyExchange platform.

PROXY VOTING PROCESS FOR BLUEBAY FIXED INCOME TEAM PORTFOLIOS

Consistent with our ongoing efforts to optimize our business operations, in 2023 we initiated the transition of proxy voting for BlueBay Fixed Income team portfolios from Broadridge's ProxyEdge platform to ISS' ProxyExchange platform. Votes for BlueBay Fixed Income team portfolios were administered by the RBC BlueBay Corporate Actions team until they were transitioned onto the ProxyExchange platform. Once on the ProxyExchange platform, votes were administered by the RI team. At the end of 2023, existing funds managed by the BlueBay Fixed Income team had been transitioned, and the transition for institutional segregated portfolios was underway.

Throughout the transition process, the RBC BlueBay Corporate Actions team, RI team, and BlueBay Fixed Income team coordinated on voting decisions, considering the Proxy Voting Guidelines. Although voting in fixed income portfolios is limited, the transition to the ProxyExchange platform facilitates:

- Integration into the RI team and RBC GAM's overall proxy voting management process.
  - For instance, automated proxy voting reports generated via the ProxyExchange platform could now be delivered for BlueBay Fixed Income team portfolio holdings.
- Incorporation of the Proxy Voting Guidelines, ISS' proxy voting research, and custom recommendations from the ISS custom research team.
- Consistency in proxy voting reporting and analysis.

Completing the transition of remaining portfolios to the ProxyExchange platform will continue in 2024.

Proxy voting results[41]

The table below summarizes how we voted against management's recommendations across markets in 2023. The proxy voting statistics in the first table include voting for all of RBC GAM with the exception of portfolios managed by BlueBay Fixed Income teams, externally managed sub-advised funds, and certain institutional accounts.

	Canada	U.S.	Overseas	Overall
Proposals	3,412	12,811	18,647	34,870
Votes WITH management	3,031	10,329	16,972	30,332
Votes AGAINST management	381	2,482	1,675	4,538
% of votes AGAINST management	**11.17%**	**19.37%**	**8.98%**	**13.01%**

In addition, the below table summarizes the BlueBay fixed income platform's proxy voting record in 2023:

Proposals	Votes WITH management	Votes AGAINST management	% of votes AGAINST management
136	132	4	2.94%

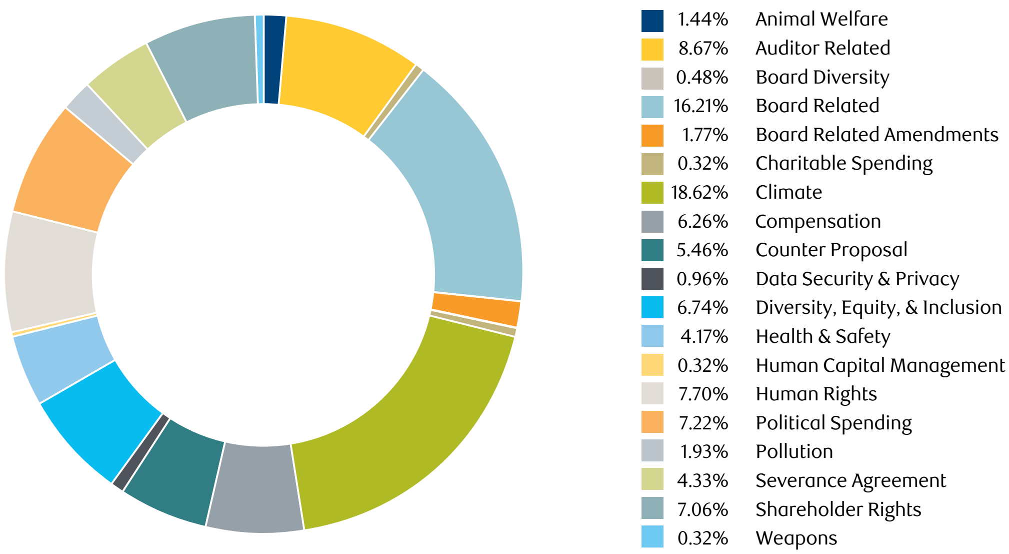
The remainder of this section covers proxy voting statistics for all of RBC GAM with the exception of portfolios managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and certain institutional accounts.

[41] The proxy voting statistics include voting for all of RBC GAM with the exception of portfolios managed by the BlueBay fixed income team, externally managed sub- advised funds, and certainc institutional accounts

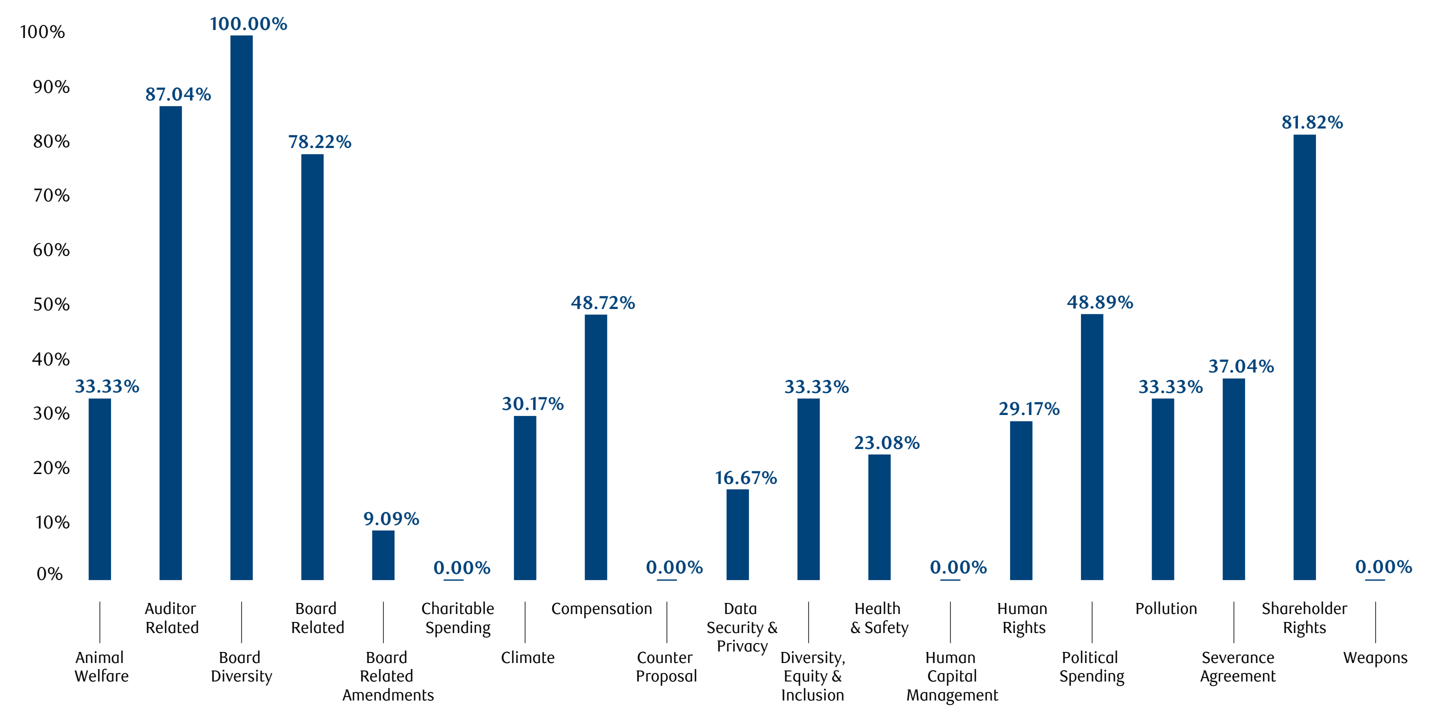
Shareholder proposals

Shareholder proposals represent a small number of the overall ballot items but are an important mechanism for shareholders to request that an investee company take action on material and trending issues. For context, out of the total 34,870 management and shareholder proposals on which we voted in 2023, 927 were shareholder proposals. The following charts provide an overview of the types of shareholder proposals we reviewed and supported this proxy voting season.

Shareholder proposals by category (% of Votes)[42]



Shareholder proposals supported by category (% FOR)



[42] Proposal categories are defined by ISS. Proposal categories were selected by RBC GAM and reflect those we determined to be of most interest. Total shareholder proposals in sample is 623. Values may not add to 100% due to rounding.

Overview of our voting record by issue

Below is a snapshot of our voting record on a set of important and frequent management and shareholder proposals. Management typically recommends voting against shareholder proposals. As a result, a vote against management in a shareholder proposal typically equates to a vote in favour of the proposal.

	Canada			U.S.			Rest of World			Total		
Item category	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt
Management proposals												
Ratify Auditors	59	1	1.7%	1,130	5	0.4%	442	3	0.7%	1,631	9	0.5%
Elect director	2,339	269	10.3%	6,894	1,782	20.5%	4,476	399	8.2%	13,709	2,450	15.2%
Approve remuneration of directors and/or committee members	0	0	0.0%	1	0	0.0%	578	30	4.9%	579	30	4.9%
Management climate-related proposal	0	0	0.0%	0	0	0.0%	6	0	0.0%	6	0	0.0%
Approve remuneration policy	0	0	0.0%	0	0	0.0%	215	35	14.0%	215	35	14.0%
Advisory vote to ratify named executive officers' compensation	180	7	3.7%	950	114	10.7%	370	72	16.3%	1,500	193	11.4%
Reporting on Climate Transition Plan	2	0	0.0%	0	0	0.0%	3	1	25.0%	5	1	16.7%
Shareholder proposals												
Require independent board chairman[43]	0	0	0.0%	1	66	98.5%	0	0	0.0%	1	66	98.5%
Racial equity and/or civil rights audit	2	0	0.0%	9	2	18.2%	0	0	0.0%	11	2	15.4%
Report on equal employment opportunity	1	0	0.0%	1	6	85.7%	0	0	0.0%	2	6	75.0%
Political lobbying disclosure[44]	2	0	0.0%	7	11	61.1%	0	0	0.0%	9	11	55.0%
Gender pay gap	0	0	0.0%	7	5	41.7%	0	0	0.0%	7	5	41.7%
Human rights risk assessment	2	0	0.0%	5	7	58.3%	2	0	0.0%	9	7	43.8%
Report on climate change and GHG emissions	9	0	0.0%	20	19	48.7%	3	7	70.0%	32	26	44.8%
Environmental & social counterproposal	0	0	0.0%	34	0	0.0%	0	0	0.0%	34	0	0.0%

[43] RBC GAM instructed an ABSTAIN vote on five proposals.
[44] Management supported one proposal under the "Political lobbying disclosure" item category. After review, RBC GAM voted WITH management on the proposal.

Proxy voting case studies

We share our proxy voting results and observations in institutional reporting, insights on our website, and publications such as our Commitment to the UK Stewardship Code. We also publish our proxy voting rationales as part of our proxy voting records disclosure in Canada. These rationales provide transparency into why we voted the way we did at meetings where our vote opposed management's recommendation, and for extraordinary or contentious proposals, whether we chose to support them or not. Below, we highlight a few examples of notable votes in 2023.

Independence of the Chair	**Approach** It is a matter of good governance practice that an independent director be appointed to the position of chair of the board of directors. An independent chair is one of the primary mechanisms by which board independence is maintained. We will generally not support a non-independent director if he or she is also chair (or will become chair upon becoming a director) unless an independent director is appointed as a lead director and an independent corporate governance committee exists.
	Proxy vote In 2023, we updated our Proxy Voting Guidelines to better communicate that if a chair is not independent, we would generally expect the appointment of a lead independent director. Additionally, we clarified that we will evaluate shareholder proposals requesting that the roles of CEO and chair be separated, or that an independent chair be appointed, on a case-by-case basis. This change was prompted after internal engagement between the RI team and investment teams on an internal ESG call. During the call, we discussed the nuances of CEO duality, or the practice of combining the role of chair and CEO. Although we generally support over 90% of proposals requesting that the roles of chair and CEO be separated, we determined further clarity in our Proxy Voting Guidelines was required to capture instances where we believe maintaining the combined role of chair and CEO is in the best interests of investors.
	Outcome In 2023, we voted against 113 directors at least in part due to a lack of an independent board chair. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.). In addition, we supported roughly 99% of shareholder proposals requesting an independent chair.

Report on equal employment opportunity	**Approach** We believe that companies with strong diversity and inclusion policies and procedures can perform better over the long term because they promote a culture of creative and innovative development, which can lead to lower turnover, higher employee morale, and the ability to attract and retain talent. Furthermore, we believe companies with inadequate DEI policies and procedures may face reputational, operational, litigation, and other risks that may adversely impact their long-term value.
	Proxy vote The 2023 proxy season saw a shift in some shareholder proposals requesting more detailed diversity and inclusion-related information. In certain jurisdictions, government entities and regulators require a report on a company's workforce demographics. For example, in the United States, the Equal Employment Opportunity Commission requires employers with at least 100 employees to submit an Equal Employment Opportunity (EEO-1) report on an annual basis. Since companies are being required to collect and disclose this data to regulators already, it can be repurposed to disclose this breakdown to investors as well. The EEO-1 report provides a snapshot of the current workforce demographics by race/ethnicity, sex, job category, and salary band. However, shareholders are now requesting additional disclosures, such as details on promotions, retention, and/or breakdowns of diversity and race in different levels of management. In our view, these details can help illustrate the company's emphasis on upward internal growth rather than a static image of the company's ethnic and racial diversity. Transparency on hiring, promoting, and retaining employees also helps support a company's stated progress on diversity and inclusion initiatives, or lack thereof.
	Outcome Consistent with this approach, RBC GAM supported six out of eight shareholder proposals in 2023 requesting reports on equal employment opportunity at companies where it was deemed that sufficient information was not already publicly available and/or fulfillment of the proposal would benefit shareholders.

Director elections and compensation at a Canadian e-commerce company	**Approach** RBC GAM believes that all compensation plans should attempt to align the interests of management and directors with the long-term interests of shareholders. Compensation plans should be sufficiently generous to attract and retain talent with the skillset required to promote the long-term success of the company. But compensation should be commensurate with performance. We will generally support executive compensation plans that are fair and oppose those that misalign pay and performance or are structured in a way that may risk doing so in the future.
	Proxy vote Since 2019, we have been voting against the compensation plan of a Canadian e-commerce company due to pay-for-performance misalignment and overall compensation plan structure. In addition to the underperforming total shareholder return and declining operational performance, various problematic pay practices were identified. The CEO's compensation continues to consist of only a large stock option grant, and compensation for other non-executive officers also does not include any performance-based compensation. Additionally, equity-based compensation was only subject to time-vesting conditions, and a general lack of risk mitigating practices, as well as insufficient disclosure around severance payments to the former CFO. Overall, our Proxy Voting Guidelines state that we would be comfortable with time-based Long-Term Incentive Plans with a simplified overall plan structure if the company had offered restricted share units as opposed to only options, and if the company had at minimum, a five-year vesting period. In this case, the vesting period was only three years.
	Outcome As a result of this analysis, the substantial level of opposition to the company's pay practices, and the compensation committee's lack of responsiveness to ongoing executive compensation concerns, RBC GAM escalated our vote in 2023. We not only voted against the say-on-pay proposal, but also voted against the election of the members of the Compensation Committee. The say-on-pay proposal received roughly 77% support at the 2023 annual meeting, while the Compensation Committee members received approximately 93%, 83% and 97% support, individually.

These examples comprise a small selection of the proxy voting activities we may complete in any given year. For further information on these and RBC GAM's additional proxy voting activities, please refer to [www.rbcgam.com/ri.](www.rbcgam.com/ri)

Executing our rights in fixed income

As engaged, responsible fixed income investors, we execute our rights according to the specific instrument in which we are investing. In all cases, we evaluate what would be in the best interests of our investments and our clients, and act accordingly.

Examples of our approach include:

Seeking amendments to terms and conditions in indentures or contracts	Where it is appropriate and relevant to do so, we may seek amendments either during the new issue deal formation stage or during our holding period. This may be done through a direct request to the issuer or by providing feedback during a bond roadshow or book-building process. During the new issue stage, our investment teams may have opportunities to seek the inclusion of certain terms and conditions, while during the holding period stage, circumstances may arise where we respond to proposals from issuers to amend terms.
Seeking access to information provided in trust deeds	This is most relevant to our investments in project bonds and private placements. We exercise our rights as bondholders to receive project updates and financial statements, which may not be publicly available in the case of private issuers or special purpose entities. Our approach is to establish this right as soon as we make an investment and request that updates be delivered automatically, so that our investment teams can track project updates. In some circumstances, we may also initiate a special update from an issuer.
Impairment rights	Most of our work in impairment rights takes place during the due diligence stage. Our approach is to analyze scenarios around event of default, cures, and associated step-in rights.
Reviewing prospectus and transaction documents	This takes place before our investment teams invest in any deal. Teams review prospectus documents in great detail to understand covenants, terms, structure, and risk. The approach taken varies depending on the complexity of the structure and bond offering. In many cases, our investment teams may have limited influence in changing terms of potential deals. Therefore, reviewing documents in great detail is imperative, as our teams will not buy the debt issuance if there are undesirable terms or if they do not believe it is adequately priced. If there is sufficient pushback from investors, this approach can lead to a wider issuance spread or a change in terms.

Fixed Income Case Studies

Due diligence on deals / transactions	**Background** The BlueBay Fixed Income team was a bondholder of an aircraft leasing company, and later also became a shareholder following the COVID-19 pandemic when the company faced financial difficulties and required restructuring. This resulted in an additional equity stake in the company, afforded the investment team a board seat, and also certain governance rights regarding corporate strategy. These were utilized in 2023 to dissuade the company from approving a transaction which the team felt was inappropriate and would result in unquantifiable financial and reputational risks for the company. **Analysis** During the first half of 2023, the company was reviewing potential business transactions for some aircrafts with near-term lease expirations. A tendering process was carried out, and recommendations made to the Executive Chairman for a particular deal involving a Maltese linked entity. When the option was presented to the board, the BlueBay Fixed Income team voiced potential governance concerns over the transaction and sought details on the due diligence conducted to ensure the counterparty was viable financially and did not present any other risks. Upon learning that the due diligence exercise had been limited in scope, the investment team carried out its own review, which revealed potential associations between the Maltese entity and states and political individuals that were politically controversial or had been sanctioned by the international community. The team believed that such links would have been known to some of the individuals at the company and that potentially there may have been a conflict of interest resulting from personal commercial gain. At a meeting of the Board, Executive Chairman, and Commercial team to discuss the matter, the BlueBay Fixed Income team presented its findings and recommendation to avoid the transaction. **Outcome** Ultimately the transaction was not approved given the controversies associated with the entities and individuals involved, and the potential reputational and financial risks they could present. The Executive Chairman was eventually relieved of his duties a few months after. In this instance, the BlueBay Fixed Income team exercised its responsibility and rights as a shareholder to influence a potential business transaction which would potentially put the long-term financial viability of the company at risk, which would also not be in the interest of bondholders.
Debt restructuring negotiations	**Background** The BlueBay Fixed Income team has been a large bondholder of an emerging market mining company which has been navigating its way through restructuring over a protracted period. Initially, out of court negotiations were attempted but ultimately the matter was resolved via an in-court restructuring process. The BlueBay Fixed Income team was part of the ad-hoc creditor group that was driving the negotiations on behalf of all bond and loan holders. **Analysis** The company first ran into financial difficulties in 2015 following an environmental disaster related to its tailings dam collapsing. The company was forced to halt operations, which resulted in it defaulting on interest payments owed to creditors. While negotiations to address the debt issue started soon after, the negotiations stalled, and meaningful restructuring negotiations did not start again until 2020, when the company recommenced its operations, albeit at a reduced capacity. The aim of the restructuring negotiations was to achieve the best possible outcome for creditors, while also ensuring the financial sustainability of the company going forward. This meant negotiations with the company and its shareholders regarding the structure of the new (post restructuring) instruments, a cap on the environmental obligations required to be paid by the company (rather than its shareholders), and a robust plan for its tailings dam management. As part of the creditor group, the BlueBay Fixed Income team participated in the discussions to ensure the restructuring addressed key issues to ensure the company's continued existence, while also ensuring bondholders were treated fairly. **Outcome** The company concluded its restructuring in December 2023. Since then, although it is at the early stages of its emergence from the process, the signs have been encouraging. There will be challenges going forward but the company is outperforming the business plan agreed upon during the restructuring. The BlueBay Fixed Income team played a strategic role in what was ultimately what we believe to be a good outcome for creditors.

RBC Global Asset Management

For more information about our approach, visit rbcgam.com/ri.

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