RBC Global Asset Management

Commitment to the UK Stewardship Code

RBC Global Asset Management | 2022

About this report

In this document, references to RBC Global Asset Management (GAM) includes the following affiliates: BlueBay Asset Management LLP (BlueBay), 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, which are separate, but affiliated subsidiaries of Royal Bank of Canada (RBC). Principle 2 provides more information on the governance structure of RBC GAM and its affiliates, including 2023 updates regarding the consolidation of RBC GAM-UK and BlueBay activities into RBC GAM-UK. References to RBC refers to the Royal Bank of Canada and its subsidiaries in this report.

In this document, 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 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. In 2022, BlueBay operated as a separate but affiliated legal entity of RBC GAM. As such, we provide additional disclosures in this report to identify relevant instances where practices at BlueBay differ from those of RBC GAM and our other affiliates.

Reporting period

All data and examples in this Report reflect activities undertaken during the 2022 calendar year (January 1, 2022 – December 31, 2022), 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 (the Code) in 2022. The 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 2022 Commitment to the UK Stewardship Code. In order to continue to improve upon our reporting, the enclosed report incorporates several updates to our 2021 Commitment to the UK Stewardship Code. In addition to providing recent and topical case studies and examples, the enclosed report includes:

- Updates to ESG integration, escalation, and engagement case studies from our 2021 Commitment to the UK Stewardship Code (see Principles 7, 9, 11, and 12)
- Information on integration and stewardship approaches, and/or applicable case studies for additional investment teams, including our Private Markets and Real Estate Equity Investments team (Principles 7 and 9)
- Updates to our responsible investment policies, including our Approach to Responsible Investment and Approach to Climate Change (Principles 1 and 4)
- Clarifying information on the 2023 consolidation of BlueBay and RBC GAM-UK (see Principle 2)

This report has been reviewed and approved in its entirety by the RBC GAM Leadership Committee, which includes the Head of Corporate Governance and Responsible Investment, 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;
- offer extensive global capabilities and a diversified breadth of investment solutions;
- act as an active, engaged and responsible investor by integrating material environmental, social, and governance (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, 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 places 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 commensurate with investors' interests and 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 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 380 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 part of our fiduciary duty. We take specific actions under each of the pillars of Our Approach to Responsible Investment to deliver on our duty of maximizing our clients' investment returns without undue risk of loss.

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

Our approach to responsible investment

At RBC GAM, responsible investment is incorporated in our values, in our approach to investment management, and in our strategic priorities. 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 part of 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 aim to deliver on our duty of maximizing our clients' investment returns without undue risk of loss.

ESG integration

Our investment teams integrate material environmental, social and governance (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, 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.[1] 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 2022, we updated our Approach to Responsible Investment to reflect responsible investment best practices, which we have implemented throughout the year. We worked closely with our investment and legal teams to develop frameworks for ESG-related products under development. We also devoted significant resources to the development of ESG-related reporting required by regional regulations. This includes required reporting under the Sustainable Finance Disclosure Regulation and the Financial Conduct Authority's required Task Force for Climate-related Finance Disclosures (TCFD). These new reporting requirements required enhancements to our data infrastructure which we believe will enhance client reporting beyond the scope of these regulatory requirements. See Principles 5 and 6 for more on our responsible investment policies and reports, and Principle 4 for more on our climate-related activities.

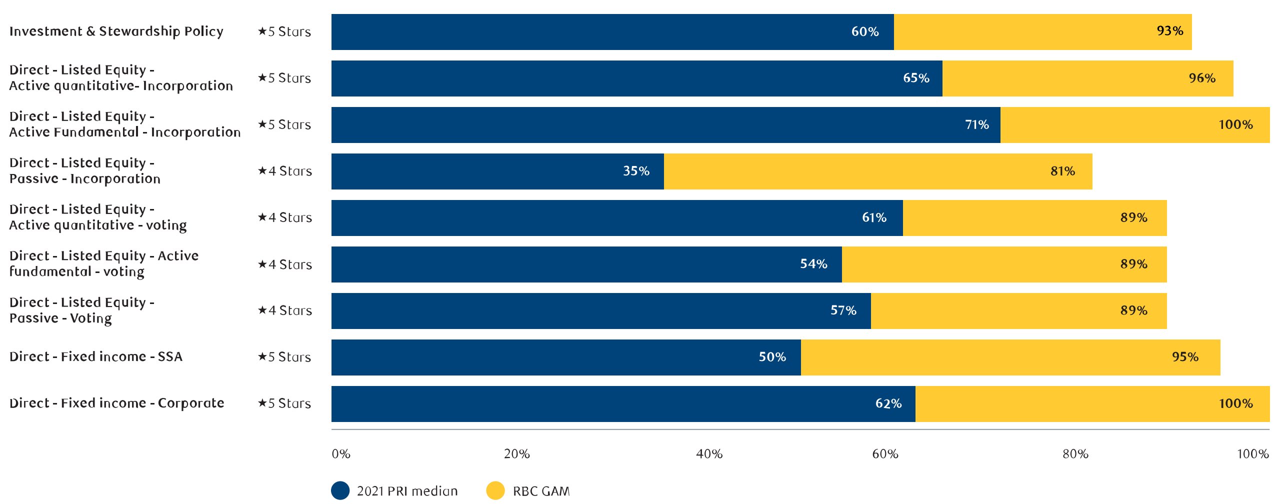
[1] In 2022, BlueBay maintained a proxy voting policy. As part of the 2023 consolidation of RBC GAM-UK and BlueBay activities into RBC GAM-UK, BlueBay strategies where we have voting discretion are adopting the RBC GAM Proxy Voting Guidelines. For more information see Principle 2.

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. We also track client satisfaction to ensure that we are effective in serving our clients' best interests.

Responsible investment 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 UN PRI Transparency Report. The UN PRI assesses all signatories' alignment with the PRI's six principles. After a one-year delay, we received the scores for RBC GAM's 2021 submission to the UN PRI. The UN PRI evaluates signatories' approaches to the principles, and each of our assessed modules in the 2021 Assessment Report received a score of 4 or 5 stars, ranging from percentile scores of 81% to 100%, exceeding the group median score in each module.[2]

2021 PRI Assessment – Summary Scorecard



In addition to the entity-level PRI transparency report that RBC GAM submits, BlueBay Asset Management LLP, one of RBC GAM's regional affiliates in 2022, completed its own submission to the PRI in 2021. The table below summarizes the PRI assessment results as it relates to BlueBay's 2021 Transparency Report, for all applicable modules. It shows the aggregate score and the median score for each module.[3]

Module / Assessment Result	2021 Reporting Cycle (covering 2020 calendar year) (Bands range in stars from 5 (highest) to 1 (lowest))		
	BlueBay	Group Median	Group Size
Investment & Stewardship Policy (ISP)	4-Stars (81%)	60%	2791
Direct - Fixed Income: SSAs	5-Stars (98%)	50%	807
Direct - Fixed Income: Corporates	5-Stars (98%)	62%	932

Source: PRI, September 2022

[2] 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. Scores from the 2021 reporting cycle cannot be compared to those from previous years. Prior to 2021, module scores used an alphabetical grading (A+ to E) system. 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.
[3] Ibid.

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 companies: RBC GAM Inc., RBC GAM-US, RBC GAM-UK, and RBC Global Asset Management (Asia) Limited. In 2022, BlueBay Asset Management LLP was also a regional affiliate, but consolidated its activities into RBC GAM-UK in 2023. For additional information, please see the section entitled RBC GAM-UK and BlueBay Alignment.

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 Corporate Governance and Responsible Investment (CGRI) 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 ensure alignment with regulatory requirements and global RBC GAM strategy and priorities.
- The Head of CGRI is responsible for all responsible investment strategies and initiatives across RBC GAM, and for the implementation of these strategies by RBC GAM's centralized CGRI 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 CGRI team and the fixed income and equities investment teams, among others. The CEO and CIO of BlueBay are members of the Leadership Committee. This total firm-level oversight and integration ensures that all of RBC GAM's businesses have the same vision, values, and culture, and are advancing the same strategic priorities.

RBC GAM-UK and BlueBay Alignment

BlueBay has been a wholly-owned subsidiary of RBC and part RBC GAM for over ten years. Over that period, we have looked for ways to leverage each other's resources and expertise in order to achieve a better return for our clients.

As part of our ongoing efforts to optimize our business operations, we made the decision to bring the businesses of RBC GAM and BlueBay together. In 2021, we combined our RBC GAM-US and BlueBay Asset Management USA LLC (BlueBay-US) fixed income teams into a single multidisciplinary team, and consolidated the businesses' U.S. legal entity structure, with BlueBay-US merging with and into RBC GAM-US.

Similar to the approach we have taken in the U.S., in 2023, we consolidated the activities of our two regulated legal entities in the United Kingdom (UK), RBC GAM-UK and BlueBay Asset Management LLP (BlueBay), 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.

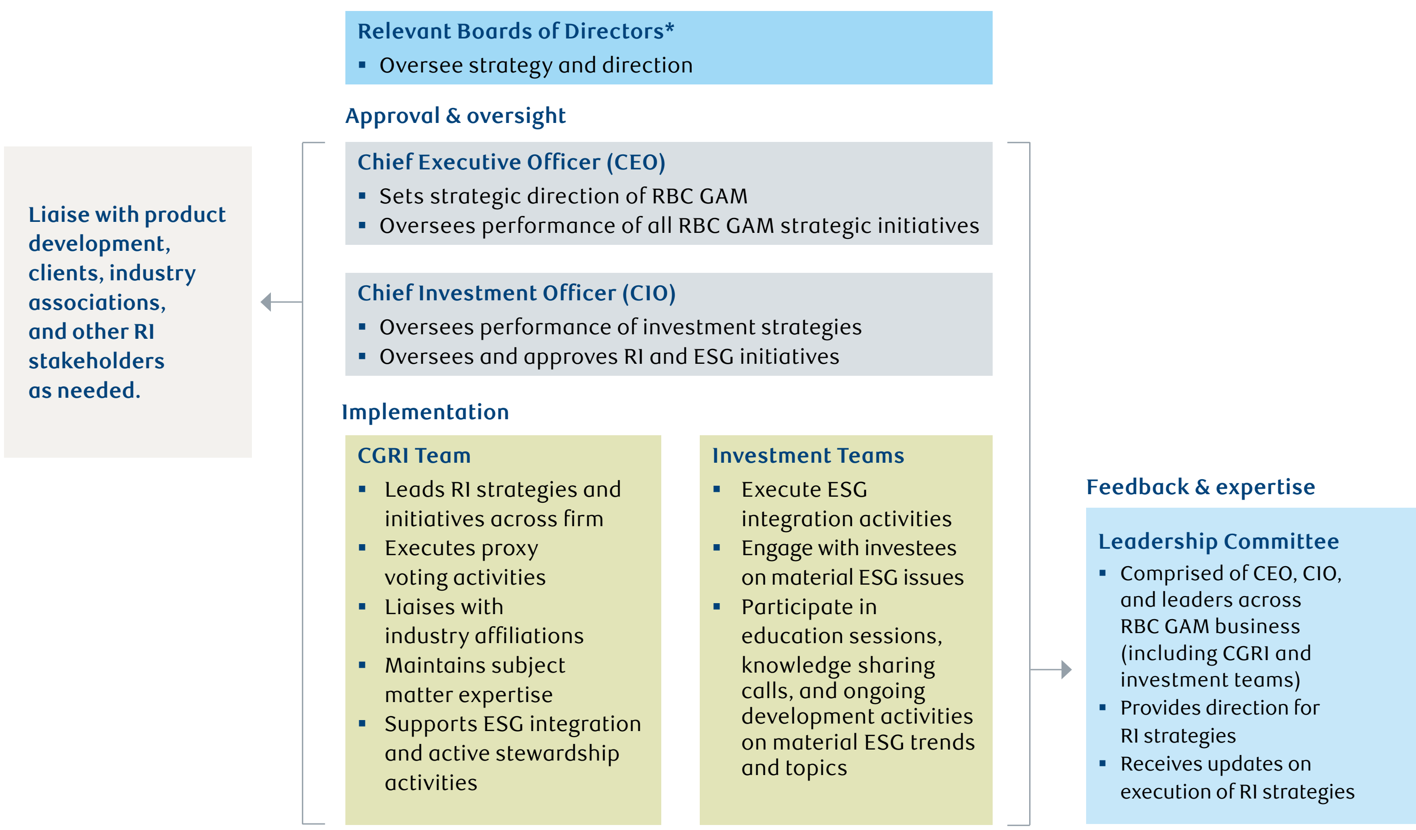
RBC GAM and BlueBay were individually accepted as signatories to the UK Stewardship Code 2020 in September of 2022. RBC GAM's 2021 Stewardship Report was inclusive of BlueBay and its stewardship activities, and BlueBay's 2021 Stewardship Report focused solely on BlueBay and its stewardship activities. Both reports met the expected standard of reporting of the Financial Reporting Council (FRC).

Due to the 2023 alignment, BlueBay has not filed a separate 2022 Stewardship Report. BlueBay's stewardship activities are incorporated throughout this report.

Governance of responsible investment at RBC GAM

Our Approach to Responsible Investment is the formal policy document that governs the firm's responsible investment 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 Global Asset Management Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (U.S.) Inc. RBC Global Asset Management (Asia) Limited, and BlueBay Asset Management LLP.

Our CIO, CEO, and relevant Boards of Directors oversee the performance of firm-wide strategic initiatives, including responsible investment, 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. In addition, performance on strategic initiatives can also contribute to the overall firm-level performance factor that is applied to all employees' annual variable compensation. The RBC GAM Leadership Committee has identified the continued enhancement of ESG integration into the investment teams' processes as a strategic objective for the organization.

Daily implementation of our Approach to Responsible Investment has been delegated to our CGRI and investment teams. As such, our CGRI team members' individual compensation is entirely related to RBC GAM's responsible investment 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 CGRI team report to the CIO. The CIO of BlueBay reports directly to the CIO.
- The COO oversees all operational strategies, policies, risks, and initiatives across all affiliates.
- The Head of CGRI is responsible for all responsible investment activities across RBC GAM, and for the implementation of these strategies by RBC GAM's centralized CGRI 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 CGRI, and members of the Investment Risk, Investment Policy, Compliance, and Legal teams.[4]

This governance structure was chosen to ensure that the level of oversight of responsible investment 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 responsible investment and stewardship is effectively executed and continuously improves.

Corporate Governance & Responsible Investment (CGRI) team

The CGRI team is comprised of ten dedicated full-time employees who sit within the investment platform. CGRI 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 responsible investment and stewardship activities.

The Head of CGRI 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 provides coordination on RBC's climate strategy and its implementation.

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

- Developing cohesive responsible investment strategies and policies for Leadership Committee approval, including our Approach to Responsible Investment, Approach to Climate Change, and Net-Zero Ambition. The Proxy Voting Guidelines are approved by the CIO and reviewed by the Proxy Voting Committee (Principles 1, 4, 5 and 12).
- 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 CGRI 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.[5] 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 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 CGRI team reviews

[4] In 2022, the product development and approval process at BlueBay differed from that of RBC GAM. The product committee includes the BlueBay CEO, COO, General Counsel, Head of Business Development, Head of Product Development, Head of Luxembourg Management Company and the Chief Risk Officer.
[5] Unless stated otherwise, proxy voting activities described herein, and application of the Proxy Voting Guidelines do not apply to BlueBay-managed strategies. In 2022, BlueBay maintained its own proxy voting policy, which referenced the Proxy Voting Guidelines.
[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.

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 CGRI 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).

As part of the CGRI team's continued efforts to expand internal subject matter expertise on material ESG topics, the CGRI team publishes and develops ESG guidance, research, and tools for investment teams. Research topics in 2022 focused on climate-related topics including: understanding carbon markets, why climate-related financial disclosures matter, and a guide to portfolio carbon emissions. In addition, the CGRI team continued to host its ESG Education Series, with a broadened scope. Previously, the series focused on climate change, and has since expanded to cover ESG topics more broadly. For example, in 2022, we held education sessions on energy security in the global energy transition, and cybersecurity as an ESG issue. The ESG Education Series brings in external experts to share their insights and perspectives with investment and distribution teams across RBC GAM. The CGRI team also distributes an internal monthly newsletter highlighting key developments in the areas of responsible investment and active stewardship. As of 2022, 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 154 portfolio managers with an average of 21 years of industry experience, supported by 110 analysts with an average of 13 years of industry experience. Of these, 49% are Chartered Financial Analysts (CFAs), in addition to those that are working towards their CFA designation.[7]

Investment teams frequently participate in ESG-specific education on topical subjects such as climate-related risks and opportunities, executive compensation, Indigenous rights, and global supply chain risk management. RBC GAM investment teams have an ESG Champion that can act as their lead on ESG-related issues and the main point of contact with the CGRI team. In 2022, BlueBay's ESG team coordinated with the CGRI team to execute this function with BlueBay's investment teams. Investment team members, BlueBay's ESG team, and the CGRI team regularly meet to share knowledge and practices, discuss ESG trends, and identify opportunities for improvement and enhancement. Topics discussed at these periodic meetings in 2022 included the CFA Certificate in ESG Investing, Scope 3 emissions, CEO duality and firm performance, developments in ESG regulations globally, and say-on-climate shareholder proposals, among others.

In addition, some investment team members may pursue additional education related to ESG. For example, the CFA UK Society piloted a Climate Change Certificate during 2021-22, the content of which was supported by BlueBay's credit analysts, with some members of our investment teams taking part in the pilot exam in 2022.

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 ensures 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 by 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 responsible investment 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.

[7]As at Dec 31, 2022.

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, formerly known as the Carbon Disclosure Project
- Bloomberg
- RepRisk
- Verisk Maplecroft
- Eurasia Group
- Urgentum
- Nasdaq

Our investment teams 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 2022, BlueBay leveraged 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 ESG 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 our organization. However, we are always exploring ways to improve our systems and processes.

For instance, regional leadership teams across RBC GAM, including BlueBay, have worked closely together to build a unified RBC GAM business. In 2022, our senior leadership team continued to focus on developing a greater level of operational integration between RBC GAM and BlueBay to help further our purpose of delivering our clients exceptional investment outcomes and valued insights.

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

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, ensuring 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 conflict of interest policies establish the standards that must be followed by RBC GAM employees to 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 eliminate or satisfactorily address them in the best interest of clients, and (c) appropriately disclose 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.

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 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 ensure 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 Committee has made its determination of materiality and steps for managing and addressing the conflict, and has communicated its conclusion to the affected parties.

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 centralised within the CGRI team, which administers and oversees all proxy voting in accordance with applicable proxy voting policies, and the RBC GAM Proxy Voting Guidelines.[9]

RBC GAM also has a Proxy Voting Committee, which includes the CIO. The following issues are escalated by the CGRI 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, we escalate the matter 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 CGRI 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 on the basis of its role as a fiduciary and its 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 CGRI team in consultation with portfolio managers and analysts in line with the Proxy Voting Guidelines. The CGRI 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 CGRI 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 Royal Bank of Canada (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 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 2022 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 CGRI 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 2022 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 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 Insider Trading Policies for each region in which it operates, which set out the insider trading 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 inside information from being traded by the individuals possessing the 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, the employee is required to disclose it to their manager. The manager will coordinate with the Compliance team to 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 the department head and Compliance. In some cases, the activity may also need to be reported to the Registration group in order 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 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, such as the IRC in Canada, for review and recommendation.	**Potential**

Principle 4

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

RBC GAM risk oversight

At RBC GAM, our Investment Risk team is responsible for maintaining a risk register of the most material risks facing the sum of our investments across mandates. These risks are monitored by the various risk oversight committees, which includes our Chief Risk Officer (CRO) for North America, CRO for EMEA-APAC [11], and BlueBay CIO. These include market-wide risks, such as geopolitical issues and currency rates, and may include systemic risks like climate change.

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 BlueBay investment team strategies, RBC GAM strategies are monitored daily by internal systems and reviewed at least quarterly by the regional Investment Risk Oversight Committees, which include the CRO and the Head of Investment Policy, among others. For BlueBay investment team strategies, these are monitored daily by internal systems and reviewed at least weekly by the Market Risk Committee , which includes the BlueBay CIO and CRO 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.

One example of a risk management approach is BlueBay's Market Risk Committee. The Market Risk Committee meets weekly to discuss the investment risk exposure of BlueBay investment team portfolios, including that pertaining to ESG. Within the summary presented to the Market Risk Committee, ESG factors are used as idiosyncratic risk indicators, leveraging qualitative data points from the BlueBay investment teams' ESG analysis and third-party data providers, as well as quantitative indicators, such as the teams' internally-developed ESG-adjusted spread risk measure.

At the investment level, our investment teams are also 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, including 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.

[11] Europe, the Middle East and Africa (EMEA)-Asia-Pacific (APAC)

For example, investment teams assess and monitor climate-related risks and opportunities on an ongoing basis through the RBC GAM Climate Dashboards. The Climate Dashboards provide climate metrics at a fund level for certain investment strategies.[12] Leveraging data from MSCI ESG, this includes climate data that is directly reported by companies 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.

Where possible, our investment teams utilize independently verified and reported data collected by third-party providers—such as the climate data included in our Climate Dashboards—to conduct monitoring for climate-related risks and opportunities, 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, aligned to the recommendations of the TCFD. Additionally, starting in 2022, the Leadership Committee receives a quarterly Climate Memo, which includes 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 risk

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.

[12] 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. In 2021 and 2022, the Climate Dashboards did not include sovereign fixed income, and only included a small number of BlueBay investment team strategies.

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 accounts 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[13]

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 Foundation
- Investor Stewardship Group (ISG)
- Investment Association (IA)
- Responsible Investment Association (RIA)
- Standards Board for Alternative Investments (SBAI)
- U.N. Principles for Responsible Investment (PRI)

2022 Highlights

- Through the CCGG, provided feedback to the Ontario Securities Commission on its Statement of Priorities for the 2023/24 financial year. This included discussions on the Canadian Securities Administrators' progress on establishing new diversity disclosure and target requirements for Canadian issuers.
- Through the ICGN, provided comments on proposed revisions to the German Corporate Governance Code.
- Through the European Leveraged Finance Association, provided feedback to the International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) on its public consultation on corporate sustainability and climate-related disclosures.
- Through the Alternative Investment Management Association, provided feedback to the U.S. Securities and Exchange Commission on its recommended proposal to increase climate-related disclosure for U.S. publicly listed companies.
- Served on the CCGG Public Policy Committee, CCGG Environmental and Social Committee, Climate Engagement Canada (CEC) Technical Committee, ICGN Global Governance Committee, PRI Policy Committee, RIA Board of Directors, ISG Board of Directors, AIMA Global Responsible Investment Committee, ELFA ESG Committee, and the ISSB Investor Advisory Group. We provide comments on various regulatory initiatives through these affiliations.

[13] 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 generally:

- Encourage companies to take actions that reduce greenhouse gas (GHG) emissions, strengthen governance oversight of climate change, 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.

2022 Highlights[14]

- Supported 15/44 proposals requesting a report on climate change or environmental policies and 3/5 proposals requesting GHG emissions disclosure. Our proxy voting records are available on our regional websites in accordance with applicable regulations.
- Participated in the launch of four collaborative engagements as part of CEC.
- Continued to support the IPDD in securing support from investors for the initiative's goals, as well as continued to engage with Brazilian and international stakeholders on the issue of deforestation.
- Participated in five Climate Action 100+ engagements. The purpose of these engagements was to encourage companies to take action to reduce GHG emissions, improve governance oversight of climate change, and enhance climate-related disclosures.
- Supported the CDP's Science-Based Targets Campaign, which engages with select companies in order to seek their adoption of credible science-based climate targets.

[14] The The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by BlueBay, 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[15]

Our collaborative initiatives related to climate change include:

- CDP (formerly, Carbon Disclosure Project)
- Climate Action 100+
- Climate Engagement Canada (CEC)
- Investors Policy Dialogue on Deforestation (IPDD)
- Mission Investors Exchange
- Responsible Investment Association (RIA)
- Task Force for Climate-related Financial Disclosure (TCFD)
- US SIF – The Forum for Sustainable and Responsible Investment

[15] See footnote 13.

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.

When evaluating climate-related shareholder proposals, we will consider:

- The industry in which the company operates and the materiality of the requested disclosure in that industry
- The company's existing publicly-available information on the potential impacts of climate change on its operations, strategy or viability
- Existing oversight, policies and procedures on climate-related risks and opportunities
- The company's level of disclosure and preparedness compared to that of its industry peers
- Whether the company has recently been involved in climate-related controversies resulting in fines, litigation, penalties or significant environmental, social or financial impacts
- The company's existing climate-related targets, commitments, and initiatives

In 2022, we supported approximately 30% of proposals that our proxy service provider, ISS, categorized as either a 'Report on Climate Change' or 'GHG Emissions'. 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 did not support any shareholder proposals requesting the adoption of a regular, non-binding shareholder vote on its 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 company.

Corporate governance

Although any ESG factor may be material to an issuer depending on its sector and 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 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)

2022 Highlights

- Withheld votes for 15.9% of directors up for election due to governance concerns, voted against 14.3% of proposals on executive compensation plans, and supported 83.8% of shareholder proposals requiring an independent board chair in 2022. More voting statistics are included in Principle 12.
- As a participant of CCGG's collective engagement program, provided input for six collective engagements on governance topics. CCGG completed 30 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.

Diversity & 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 equal opportunity and diversity in the workplace
- Report on 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 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 companies 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 corporation 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)

2022 Highlights

- Updated our Proxy Voting Guidelines for 2022 to recommend that boards adopt policies, goals, and timelines to improve diversity on boards and in senior management, specifically regarding the representation of underrepresented groups.
- In 2022, RBC GAM voted against 2,591 proposals on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 2,591 proposals, we voted against the election of the nominee at least in part due to board gender diversity concerns on 1,517 (58.5%) proposals. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g. gender diversity, board independence, etc.).
- Examples of our investment teams' direct engagements with companies on diversity and inclusion, and the outcomes of each, are included in Principle 9.

Summary of our industry initiatives[16]

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 BlueBay alignment in 2023 (see Principle 2), membership and signatory arrangements for our industry initiatives may change going forward. In some instances, RBC GAM or BlueBay may have been an individual signatory to an industry initiative listed below in 2022. For clarity, these references have been combined.

Initiative	Description and key commitments	Primary theme
30% Club Canadian Investor Group	RBC GAM is signatory to the 30% Club Canadian Investor Group, 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. The coalition has instigated numerous engagements, for which RBC GAM provides inputs and feedback. In pursuit of the coalition's intentions, we updated our Proxy Voting Guidelines in 2021 to convey our continued commitment to increasing gender diversity on the boards of our investee companies. This update applied in all markets where our Proxy Voting Guidelines apply. This voting guideline continued to lead to numerous voting and engagement outcomes with investee companies in 2022. For more information, please see Principle 11. In 2022, 32.9% of board seats were held by women at S&P/TSX Composite Index companies.[17]	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 programs, and sound practice guides.	Fair & efficient capital markets
Canadian Coalition for Good Governance (CCGG)	RBC GAM is a founding member of CCGG, which 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. In 2022, members of RBC GAM's CGRI team served on the Public Policy and Environmental & Social committees of CCGG. RBC GAM was also a participant in CCGG's collective engagement program and provided input for six collective engagements in 2022. In total, CCGG completed 30 collective engagements in 2022. Finally, through CCGG, we provided comments on numerous regulatory submissions to Canadian and U.S. regulators. In 2022, CCGG filed ten 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 the global disclosure system that enables entities to measure and manage their environmental impacts and strives to advance environmental disclosure. In 2022, we supported the CDP's Science-Based Targets Campaign, which engages with select companies in order to seek their adoption of credible science-based climate targets.	Climate change

[16] See footnote 13.
[17] Diversity Disclosure Practices: Diversity and leadership at Canadian public companies. Osler.

Initiative	Description and key commitments	Primary theme
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 2022, 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. See Principle 10 for an example of an ongoing engagement that the RBC North American Equity and CGRI teams conducted as part of the Climate Action 100+.	Climate change
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+. A member of RBC GAM's CGRI team is on the Technical Committee of the CEC. In 2022, RBC GAM participated in the launch of four collaborative engagements as part of CEC.	Climate change
Emerging Markets Investor Alliance (EMIA)	We are 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 2022, we continued to participate in several EMIA work streams, such as the low carbon transition work stream, the agricultural (Brazilian food producers and deforestation) work stream, the telecommunications, technology and media (e-waste) work stream, the extractives (social and community issues) work stream, and the debt and governance work stream (fiscal and budgetary transparency).	Fair & efficient capital markets
European Leveraged Finance Association (ELFA)	A BlueBay investment team member is an ESG Committee member, supporting and participating in ESG initiatives, including the investor ESG survey and associated briefing, and the resulting initiative to encourage better issuer ESG disclosure.	Fair & efficient capital markets
Farm Animal Investment Risk & Return (FAIRR)	We are a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production.	Nature-related risks Labor standards
Forest, Agriculture and Commodity Trade (FACT) Dialogue	In 2021, BlueBay became a member of the FACT Dialogue taskforce, which aims to promote greater coordinated government action to tackle commodity-driven deforestation and show that sustainable land management and economic development do not have to be mutually exclusive.	Nature-related risks
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 CGRI team is on ICGN's Global Governance Committee.	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 CGRI team sits on the ISG board of directors.	Fair & efficient capital markets Corporate governance

Initiative	Description and key commitments	Primary theme
Investment Association (IA)	We are a member of the IA, the United Kingdom's membership association for investment managers. In 2021, BlueBay was invited to participate in a newly formed Fixed Income Stewardship Working Group (Working Group) of the IA. The purpose of the Working Group is to inform and direct the IA's work on improving stewardship in fixed income assets by developing guidance on how stewardship in fixed income can be improved, encouraging industry to set expectations of bond issuers and hold them accountable, and helping overcome barriers to engagement with issuers.	Fair & efficient capital markets
Investors Policy Dialogue on Deforestation (IPDD)	In 2022, we continued to be a supporting investor of the IPDD, and BlueBay was a co-chair of the IPDD and contributed directly to the initiative's efforts in Brazil. A member of the BlueBay investment team was invited to speak at the announcement of a national carbon market in Rio de Janeiro in May 2022.	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
Responsible Investment Association (RIA)	RBC GAM is a sustaining 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 2022, a member of the CGRI team was Vice-Chair of the RIA board of directors and Chair of the Governance Policy Committee. The RIA completed three policy submissions in 2022. 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. This latter statement demonstrates the collective ambition and action from Canadian investors in recognising the need to accelerate the transition towards a net-zero economy within the unique context of Canada.	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. In 2022, BlueBay participated in member working group calls on the topic of ESG best practices in fixed income investing. The discussions covered both corporate and sovereign issuers.	Fair & efficient capital markets
IFRS Foundation	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 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 2022, a member of the CGRI team sat on the Investor Advisory Group.	Fair & efficient capital markets
Task Force for Climate-Related Financial Disclosures (TCFD)	We are supporters of the TCFD, which was created by the Financial Stability Board to improve and increase reporting of climate-related financial information. The TCFD recommendations have quickly become a global framework for building comparable and effective disclosures on climate-related risks and opportunities. In 2022, RBC GAM published its second TCFD-related disclosures. RBC GAM's third annual TCFD-related disclosure, our annual Climate Report, which covers calendar year 2022, is available here. This disclosure is guided by the recommendations of the TCFD and includes detailed information on the governance, strategy, risk management, and metrics related to the management of climate-related risks and opportunities at RBC GAM.	Climate change

Initiative	Description and key commitments	Primary theme
UN Principles for Responsible Investment (PRI)	We are signatories to the 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 PRI's six Principles of Responsible Investment into practice and believe that they are aligned with our existing Approach to Responsible Investment. In 2022, a member of the CGRI team sat on the Policy Committee, and BlueBay continued its role in several PRI-led initiatives related to fixed income. These included 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, BlueBay participated in workshops and webinars, and provided feedback on white papers. Further, RBC GAM participated in in the UN PRI Net Zero Equity Practitioners Group, which focused on sharing experiences and building knowledge. As part of this initiative, RBC GAM published a case study highlighting our efforts to measure the net-zero alignment of portfolios. View here.	**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 (D&I) 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 organization, including the Head of CGRI.

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 2022, the number of women directors of RBC GAM Inc. was 29%. The number of RBC GAM investment professionals who identified as women was 28% as at Dec 2022.

RBC GAM's regional affiliates also have several D&I 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[18] has encouraged the development of monthly internal reporting on DEI and publishes a Gender Pay Gap report annually.

RBC GAM employees also participated in Anti-Racism training, launched by the Royal Bank of Canada (RBC) in 2021. The overall percentage of employees who completed the Anti-Racism training across RBC in 2022 was 99%, as at October 31, 2022. For more information on RBC's diversity and inclusion efforts, please see the 2022 ESG Performance Report.

[18] RBC BlueBay Asset Management is the brand name used across Europe, the Middle East, and Africa, and APAC to represent RBC Global Asset Management.

Climate Change

RBC GAM is the asset management division of Royal Bank of Canada (RBC).[19] RBC has been carbon neutral[20] in its global operations since 2017, by reducing emissions and purchasing certified carbon offsets.[21] RBC buys and retires offsets annually to cover all reported Scope 1, 2 and 3 (business travel) emissions in that fiscal year. The carbon offsets purchased are verified by third parties and fulfill the methodologies of the carbon offset registries[22] to demonstrate additionality and permanence. RBC conducts due diligence as part of the procurement process and takes into account location, technology, vintage and additional community/environmental benefits and impacts.

RBC is committed to the goal of achieving net-zero in its operations.[23] To advance toward this ambition, RBC set two short-term goals in 2020 to achieve by 2025:[24] to reduce GHG emissions by 70% with a baseline year of 2018;[25] and to increase its sourcing of electricity from renewable and non-emitting sources to 100%.[26]

The Head of CGRI 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 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.

Human Rights

As described in the RBC Human Rights Position Statement, RBC and its subsidiaries, including RBC GAM, are committed to taking actions to meet the responsibility of businesses like ours to respect human rights, as set out in the United Nations Guiding Principles on Business and Human Rights (the UN Guiding Principles). We endeavour to respect the Universal Declaration on Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social, and Cultural Rights in addition to the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

In line with the expectations of the UN Guiding Principles, in 2021 RBC GAM and BlueBay initiated a human rights salience assessment to better understand how our business activities could potentially impact the human rights of our stakeholders. A member of the CGRI team also participates on the RBC Human Rights Working Group.

RBC GAM's investment teams consider material human rights issues as part of their investment approaches, for applicable types of investments.

[19] "RBC" refers to Royal Bank of Canada and its subsidiaries in this report.
[20] RBC is defining carbon neutral in its operations as counterbalancing emissions from its operations with purchased carbon offsets in a given reporting year.
[21] See RBC Climate Report 2022
[22] Carbon offset registries develop standardized protocols for project registration in order to issue carbon credits, track credits in the marketplace, and ensure that the environmental benefits associated with the carbon credits are not being allocated to multiple entities. Carbon registries have their own established standards, verification requirements and monitoring protocols for projects to ensure that carbon credits have been verified and meet requirements.
[23] 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.
[24] See RBC Climate Blueprint and RBC Climate Report 2022
[25] The target covers global operations, scope 1, 2 (market-based) and 3 (business travel) reported GHG emissions, and uses a baseline of 2018.
[26] The performance towards RBC's goal to achieve 100% renewable and non-emitting electricity consumption is calculated based on grid mix data and the Renewable Energy Credits it either purchases or receives from its two renewable energy power purchase agreements.

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 responsible investment and active stewardship activities. Each policy is reviewed at least annually 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 responsible investment and active stewardship activities, including their respective review processes and their highest possible level of assurance.[27] For example, RBC's Internal Audit team initiates internal audits of RBC GAM's responsible investment and stewardship activities, as part of regional audit activities. All of our responsible investment and stewardship policies are within scope of internal audit.

In general, policies that relate directly to our responsible investment and stewardship strategies are approved by the CIO and Head of CGRI. 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 Responsible Investment	Our Approach to Responsible Investment is the overarching policy that governs all responsible investment activities at RBC GAM and is structured according to three pillars – ESG Integration, Active Stewardship, and Client Solutions and Reporting. The CGRI 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 2022, we initiated an update to Our Approach to Responsible Investment to better reflect best practices in responsible investment and the processes applied internally. The updated policy was published in February 2023 and is available here.	**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 CGRI 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 and Global Compliance, and are approved by the CIO. In 2022, we initiated an update to Our Approach to Climate Change to better reflect best practices in responsible investment and the processes applied internally. The updated policy was published in February 2023 and is available here.	**Internal audit**

[27] During 2022, BlueBay may have implemented separate responsible investment policies. As part of the alignment of RBC GAM-UK and BlueBay in 2023, we will be considering the alignment of policies, where applicable, which may apply to some responsible investment policies.

Policy	Description and updates	Level of assurance
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 CGRI 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 (for e.g., the IRC in Canada), and are approved by the CIO, where required.	**Internal Audit**
Proxy Voting Guidelines	The Proxy Voting Guidelines specify our approach for how RBC GAM will generally vote on specific proposals and issues in our proxy voting activities. These Guidelines are applied in Canada, the United States, the United Kingdom, Ireland, Australia, and New Zealand. The CGRI 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 2022, the Proxy Voting Guidelines were updated to include a recommendation for boards to adopt policies, objectives, and timelines to advance the diversity of their boards and senior management teams, with an emphasis on underrepresented groups. We also included an update to communicate that we will generally vote against the chair of the nominating committee where more than one-third of the board has a tenure greater than 15 years. Additionally, given the increasing adoption of shareholder votes on climate transition plans (say-on-climate), we updated our guidelines to include the standard elements that we generally require in order to support a company's plan. For more information, please see our 2022 Semi-Annual CGRI Report.	**Internal audit**
Firm-wide investment exclusions	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 production, sales/trading, testing, research and development, system integration, maintenance, or services/management 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.[28] 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, which 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.	**Internal audit**
Conflicts of Interest Policies	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.	**Internal audit**

[28] 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 responsible investment and stewardship policies. Examples include:

- Every year, the CGRI 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 CGRI 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 CGRI 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 team provides training, regular required certifications, and other tools to employees to 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 responsible investment and stewardship activities.

We believe that the high level of direct oversight by RBC GAM executives of our responsible investment 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 responsible investment and stewardship activities on a rotating schedule. All of our responsible investment 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 responsible investment or stewardship policy, such as a proxy voting policy.

Finally, we may seek external audit on specific responsible investment and stewardship policies as appropriate. Currently, proxy voting for RBC GAM-UK is subject to a regular external audit, which covers RBC GAM-UK's proxy voting internal controls and is conducted annually.

Continuous improvement

Our responsible investment and stewardship reporting continues 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 2022, we also published our second TCFD report.

Further, in 2022, RBC GAM expanded our internal ESG data infrastructure to further enable and enhance the use of ESG data as part of the investment process. This data infrastructure brings together ESG and investment data in one place and provides a streamlined and scalable platform for creating customized views of ESG data. In July 2022, we rolled out our quarterly Climate Dashboards using the platform. Although RBC GAM has provided Climate Dashboards to our investment teams since 2020,[29] the updated infrastructure has transformed these into an interactive and online tool that investment teams can use to explore and assess climate metrics at a portfolio, sector, and issuer level.

In addition, in 2022 we finalized a project to load and store ESG and proxy voting research reports from third-party research providers into a central repository. The repository is accessible with single sign-on access, and reports from multiple providers are stored together. By removing the need to access multiple vendor platforms, we believe this facilitates the incorporation of ESG research into our teams' investment analysis. In addition, because our proxy voting platforms are only accessible to CGRI team members - and Operations members as required (see Principle 3) - by loading proxy voting research into the repository, investment teams can more readily access proxy voting research reports in a timely manner, rather than relying solely on delivery by the CGRI team.

Additional information on our reporting to clients on responsible investment 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.

[29] 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. In 2021 and 2022, the Climate Dashboards did not include sovereign fixed income, and only included a small number of BlueBay investment team strategies.

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 responsible investment and active stewardship activities. Public reports describing RBC GAM's responsible investment and stewardship activities are reviewed by the CGRI team, a copy editor, and regional compliance officers prior to publication, who 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 responsible investment and stewardship reporting, all publications are reviewed by the appropriate regional compliance teams to 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 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 ensure our reporting is balanced and does not overstate the actions or outcomes of any particular team or initiative, relevant responsible investment and stewardship reports are reviewed and approved by the Head of CGRI and the CIO. Key publications are also reviewed by the Leadership Committee, which comprises senior executives from across the organization, 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 responsible investment and stewardship publications to 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 CGRI team, have completed plain writing training sessions, and every published report is reviewed and edited by a copy editor to help ensure that reports are relevant, easy to read, and easy to scan.

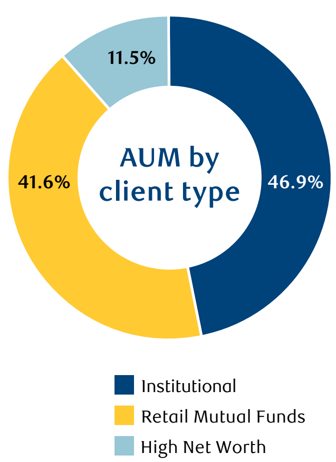
Principle 6

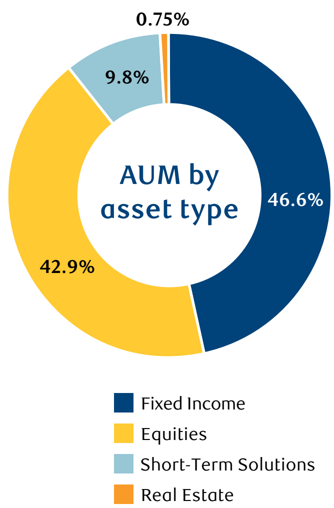
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

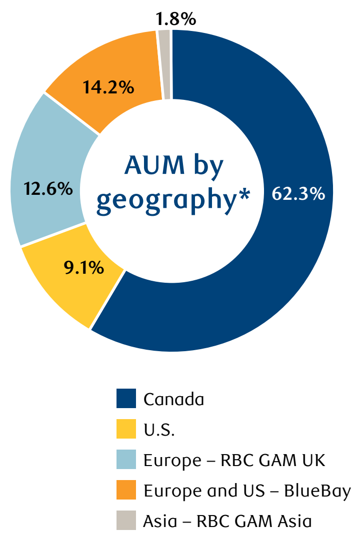
Our assets under management

The RBC GAM group of companies manage approximately £322.5 billion in assets under management (AUM) worldwide as at December 31, 2022. 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:[30]







* 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 duty 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.

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

Serving retail clients

Our client base is divided between individual investors (53%) and institutional (47%) clients. 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 CGRI, 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 Responsible Investment Association.

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 responsible investment 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

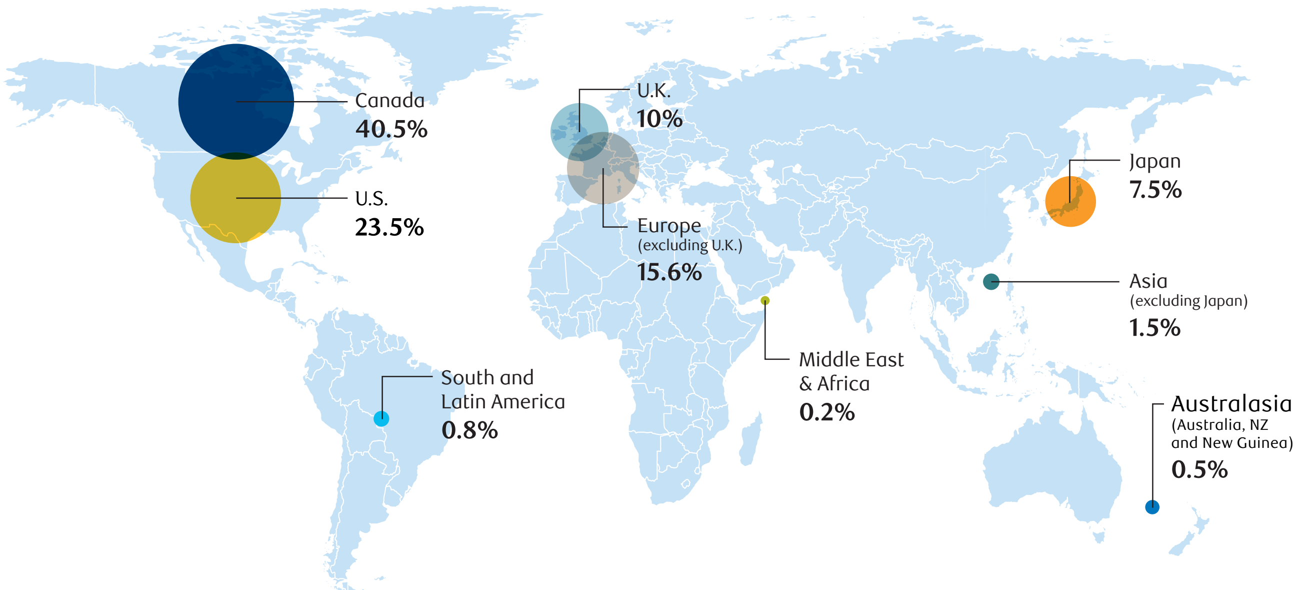
RBC GAM has a long history of serving institutional clients, which make up 47% (£151 billion) of RBC GAM's AUM. Our institutional client base is regionally diverse, with 40.5% in Canada, 23.5% in the U.S., 10.0% in the U.K., and 26.0% from other regions (see diagram below).

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. In North America, these are referred to as institutional portfolio managers. In Europe, they are referred to as client relationship managers or client directors. 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 responsible investment 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 (%)



The Investment Policy Statement directly reflects each client's investment goals and may include specific requests from clients related to their preferred approach to responsible investment. Although RBC GAM's 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 in order to ensure that we understand clients' perspectives. Through regular, in-depth communication and engagement with clients, we are able to develop and maintain a deep 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 ensure we are continually meeting our clients' stewardship and responsible investment needs we publish the following reports and disclosures on a regular basis:

Method of communication	Type of information
Institutional client reporting	**Quarterly 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 responsible investment and stewardship, specific to their investment strategies. For example, the RBC Global Equity team distributes a quarterly Owner's Perspective Report to clients, BlueBay distributes quarterly ESG reporting for several strategies when requested, and the RBC Emerging Markets Equity, RBC European Equity, and RBC Asian Equity teams publish annual responsible investment reports for clients. 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 2022, the BlueBay investment team published insights on dynamics in the ESG-labelled issuance market, the circular economy, the evolution of ESG considerations in the banking sector, and the potential impacts of ESG investment trends on water issues, among others.
	ESG reports Institutional clients may request reports with additional ESG-related metrics, such as the carbon footprint of their strategies. The frequency of these reports is based on client need and preference.
Public disclosure	**Responsible investment policies** RBC GAM publishes our governing responsible investment policies on our website. Our Approach to Responsible Investment is RBC GAM's overall policy on responsible investment, 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.
	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.
	Reporting on our RI commitments RBC GAM publishes semi-annual reports, which highlight activities related to ESG integration, engagements, proxy voting, collaborative initiatives, and other developments related to responsible investment. We also publish reports related to our commitments to the UN PRI, the UK Stewardship Code, the Japan Stewardship Code, and a Climate Report, guided by the recommendations of the TCFD annually. These reports are available on our relevant websites.
	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 upcoming proxy seasons, and more. ESG insight articles are publicly available on our website.
	Responsible investment survey Since 2017, RBC GAM has conducted an annual global responsible investment survey on the views, actions, and intentions of institutional investors and consultants related to responsible investment and ESG. In 2022, this included over 800 survey participants from around the world, including the U.S., Canada, Europe, and Asia. Further, we published "Moving forward by looking back: A 5-year journey through responsible investment", which highlights the responsible investment trends observed throughout our surveys since 2017.

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 issue (e.g., knowledge building, disclosure, investment approach), the scope of applicability of the issue (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 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 2022:

Addressing net-zero emissions commitments	In 2022 we continued to engage with individual investor and institutional clients on climate change and the net-zero emissions commitments made by governments and corporates. To address client questions, RBC GAM: ▪ Published a ESG insight article, A guide to portfolio carbon emissions, to address the market developments and help build client knowledge on the topic; ▪ Hosted several client sessions, specifically on the topic of climate change and net-zero emissions commitments, to share views and garner feedback. This included the BlueBay investment team holding numerous discussions focused on sharing insights on the nuances, challenges, and opportunities of implementing net-zero fixed income strategies; ▪ Enhanced client reporting and ESG data infrastructure, including those related to regulatory reporting such as the Sustainable Finance Disclosure Regulation (SFDR).
Integrating expanded ESG-related datasets to improve our integration and reporting capabilities	With rising client requests and regulatory requirements for ESG-related disclosures, such as SFDR, RBC GAM has continued to integrate new and expanded vendor datasets into our internal databases and investment processes. In 2022, this included several projects targeted towards identifying meaningful ESG metrics, building data pipelines, and ongoing work continuing in 2023 to meet regulatory deadlines and client needs. We continue to evaluate and assess the quality, scope and coverage of ESG-related data to provide investment teams and clients with the highest quality insights.
Developing investment products to meet client demand	Throughout 2022, the CGRI team worked closely with our product development and investment teams to develop frameworks for new investment strategies that will help meet our clients' evolving needs on ESG. For example, we developed a framework for strategies seeking to invest in issuers contributing to future solutions to some of the world's leading environmental and social issues today. In addition, we expanded our fossil fuel free suite in the Canadian retail channel with the launch of an Emerging Markets Fossil Fuel Free strategy. Lastly, in accordance with regulation, we were able to launch several existing investment strategies subject to the Sustainable Finance Disclosure Regulation as Article 8, with one strategy launched as Article 9.

Measuring success

We believe that our level of client engagement and reporting is effective in ensuring our clients are 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 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 confirming 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.

Since our institutional investment mandates are based on clients' own investment and stewardship policies, there are no instances of investments not being managed in accordance with clients' policies

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.

Therefore, our investment teams prioritize those ESG factors considered most material to the specific investment being considered. 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.

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. Governance factors tend to be most material to the creditworthiness of fixed income issuers, including factors like board structure and management quality.
- **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.
- **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 on a global scale. 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 to address these risks and opportunities.

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 well-established 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 of these impacts depends on the issuer, the industries and geographies in which it operates, 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 responsible investment.

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 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 2022.

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. By focusing on companies with long-term viability, good corporate governance, and high returns, while the team works to produce portfolios that generate alpha, the portfolios also tend to exhibit superior 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: Company creating positive change through education

Objective:

Monitor if an existing holding continues to empower individuals and communities through education.

Analysis:

The RBC Asian Equity team has owned an Australian education services provider for a few years now. The company performs strongly in the team's ESG framework, as the company empowers individuals and communities through education. In 2022, the team engaged with company management to monitor its progress on two topics: (1) student placement volumes, and (2) English language tests for immigration.

The team was encouraged that the company has gone from placing 20,000 students in 2013 to 55,000 in 2022. In terms of English language tests for immigration, the team saw significant progress as well, as test volumes increased from 0.8 million in 2015 to 1.9-million in 2022. In addition, the company continues to be the only provider of the English language test that is trusted for immigration purposes by all four governments of the UK, Australia, Canada, and New Zealand. The team believes this reflects the company's long history and integrity, as the company has good security measures in place to avoid cheating.

Outcome:

Through the team's research and engagement with management, it was encouraged by the company's steady and ongoing progress to empower individuals and communities through education. The team believes the company continues to be a leader in ESG and will continue to monitor the company closely.

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

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 despite the attractive two- to five-year industry growth outlook, a reduction in the terminal growth rate, and thus terminal value, of the business were 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.

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 within the company 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. However, 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 – Follow-up

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, the RBC European Equity team 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 leading 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.

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 ensured 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 a relative 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 ensure a reduction in the group's emissions.

Outcome:

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

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 significantly 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. Institutional clients can request more information on the RBC Global Equity team's Quarterly Owner's Perspective reports.

CASE STUDY: Climate Change & Environmental Factors in Consumer Staples Firm

Objective:
Due diligence on a potential new investment.

Analysis:
The RBC Global Equity team conducted several information-seeking engagements with the company's management team, including in areas of corporate culture and employee well-being, net-zero strategy, biodiversity, water, and regenerative agriculture strategies.

The team noted:

1. The company has clear sustainability goals, including SBTi commitments in line with a 1.5°C warming scenario, and significant visibility across the management team and board.
2. The company has a comprehensive biodiversity strategy which includes anti-deforestation commitments and a regenerative agriculture strategy which targets social co-benefits along with emission reductions.
3. The company has board- and management-level oversight of its sustainability strategy.

Outcome:
The team incorporated its ESG analysis into its fundamental analysis process.

The investment team determined that the potential climate-related risks, which have the ability to create contingent liabilities–including for the products the company sources and grows–are minimized and well controlled.

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, and it initiated investment in the first quarter of 2022.

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 Energy Infrastructure Investments – Follow-up

Objective:
Identify risks and opportunities related to the energy transition on energy infrastructure investments.

Analysis:
The RBC North American Equity team expects the demand for fossil fuels to continue in North America for some time. However, there is significant pressure on the industry to reduce the emissions intensity of existing assets and to invest in emerging energy transition investments. Therefore, the team undertook analysis in 2021 to assess the potential economic impact of the transition from higher emissions fossil fuels to lower emissions intensity in the short and medium term on the companies in which it was invested.

The team engaged with its large Canadian energy infrastructure companies to understand their approaches to reducing scope 1 and 2 emissions, strategies for identifying potential opportunities in new energy verticals, and potential risks to access to capital.

Update
Through its engagements and analysis, the RBC North American Equity team determined that the Canadian energy infrastructure companies in which it was invested had set robust and achievable emissions reduction targets; were actively seeking new energy investments at attractive rates of returns; were leveraging existing expertise and asset bases; and that both the boards and executive management teams acknowledged the strategic importance of managing the risks of evolving fossil fuel and energy dynamics.

In 2022, climate-related risks and opportunities remained a frequent ESG engagement topic with energy infrastructure companies. Engagements on the subject also evolved in some cases due to global concerns regarding energy security as a result of the war in Ukraine.

Outcome:
In 2022, the team's views on the medium- to long-term impacts of the transition to a low-carbon economy on the Canadian energy infrastructure industry remained consistent, with consideration given to the short- to medium-term impacts of fossil fuel demand due to energy security concerns.

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 – Follow Up

Objective:

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

Analysis:

Throughout 2021, the RBC U.S. Growth Equity team saw hundreds of IPOs and SPACs added to the Russell 2000 Growth Index benchmark. 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:

Throughout 2022, 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 that offer low valuations with financial strength. The team controls 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.

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 features 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 metrics. Second, it ensures that the average ESG exposure of the overall portfolio 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 the ESG metrics of 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.

FIXED INCOME

BlueBay Fixed Income team

Approach

BlueBay's investment 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 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.

BlueBay's 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'. This Rating is co-owned by the investment analyst and the ESG team.
- *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 issue 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 BlueBay's credit and ESG 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: Tailings Disposals at Indonesian Mining Company

Objective:
Determine whether to participate in the company's debt issuance.

Analysis:
This Indonesian mining company holds the exclusive right to mine and operate one of the largest copper and gold mining deposits in the world in terms of both mineral reserves and production. Currently, the company has a license that allows it mining rights until 2031, with an option to extend by another 10 years subject to the fulfilment of certain conditions, primarily relating to the construction of downstream smelting capacity.

The mine has long been involved in an environmental controversy due to tailings disposal into the surrounding rivers. Although this activity is legal according to Indonesian laws, its practice is highly questionable.

As this was a first-time issuer, the new deal roadshow meeting was the first engagement opportunity with the company. From this initial engagement, the team was not convinced by potential remedies the company had in place regarding its tailings disposal practices, or that the environmental impact of the mine would improve going forward. More specifically, the basis for this view stemmed from the following:

- The company has been operating the mine for many years, is aware of current practices, and has made no changes to date.
- There is little regulatory pressure on the company to change these practices, given they are legal in Indonesia.
- The company seemed to suggest that river tailings dumping is the only economically viable solution currently available.

Outcome:
Based on this view, whilst the new issue priced materially wide of fair value, the team decided not to participate. However, should there be future opportunities to engage with the company on ESG-related matters, the team will continue dialogue on potential options to mitigate or eliminate river tailings disposal and strategies the company intends to use to remediate the environmental consequences of its operations.

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 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: Low Carbon Spanish Utility – Follow-up

Objective:
Due diligence on a Spanish utility issuer's debt

Analysis:
In 2021, the RBC European Fixed Income team analysed a Spanish utility company's subordinated/hybrid debt for potential investment. The company stands out to the team amongst European utilities in terms of its ESG profile, underpinning the long-term strength of its business and credit profile:

- 80% of installed capacity was emissions-free
- 63% of power generation was from renewable sources
- 70% of revenues and earnings were derived from low carbon footprint business, with a strong pipeline to increase that share
- 20GW of wind energy generation, making it the world's largest wind portfolio

The company's focus on renewable and emissions-free generation, along with sound governance and human capital practices led the team to score its credit profile favourably compared to peers within its industry.

Outcome:
As a result of its analysis, the RBC European Fixed Income team determined that the company's strong ESG profile underpinned a strong credit quality. Therefore, the team decided to add subordinated bonds in the lower part of the company's capital structure to its portfolio.

Update:
The team has maintained its view on the issuer's ESG profile, and continued to hold throughout 2022.

PH&N Fixed Income team

Approach

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

Prior to analyzing credits, 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: European Electric Utility

Objective:
Initiate coverage and form investment thesis for new issuance.

Analysis:
In October 2022, the team completed its initial analysis of a vertically-integrated European electric utility company. During its analysis, the team identified a number of significant ESG risks, including nuclear safety concerns and governance issues. The team reached out to management to get additional clarity on these topics, and in the end determined that the risks were not sufficiently mitigated.

Outcome:
Ultimately, after considering these material ESG risks and completing its overall fundamental research, the PH&N Fixed Income team determined that the issuer's bonds were not suitable for its mandates and did not invest.

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 in to 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: Türkiye

Objective:
Continued monitoring of material ESG factors for Türkiye sovereign debt.

Analysis:
ESG-related risks for Türkiye have been a structural feature of the sovereign that has led to an erosion of credit quality over time. The main driver of elevated ESG risk comes through the governance and political channels as President Erdogan's significant power concentration faces few checks and balances.

President Erdogan has been in power since 2003. In recent years he has compromised institutional strength within the country, most notably at the central bank. Interference in monetary policy has led to a loss of credibility, capital flight, and increasingly drastic stop gap measures to shore up the financial system. Lack of central bank independence has not only compounded inflation pressures in the economy but also ignored the erosion of living standards. Authoritarian regimes tend to instigate significant negative impact on social factors. Türkiye scores very low on indicators for freedom of opinion and expression, security forces, and human rights. There is also high-risk exposure to energy security and available water resources. The team believes that these negative trends have medium- and long-term implications for overall sovereign health. Ultimately, they affect the ability and willingness of the sovereign to repay bondholders.

Even though the sovereign has relatively low leverage and scores well on a relative basis in terms of macroeconomic fundamentals, the team remains cautious on the credit due to material ESG risks. However, these risks need to be continually monitored in order to identify potential opportunities.

One additional point of concern is the country's reluctance to fully adhere to the sanctions imposed on Russia by Western governments as Türkiye has continued to import most of its energy from Russia and indirectly helps to finance its armed invasion of Ukrainian territory. This raises the possibility that specific sanctions could be imposed on Türkiye in the future.

Outcome:
In the team's view, the material ESG-related risks are not fully captured in the risk premium of Turkish bonds and the team maintains an underweight position in Türkiye credit.

The recent earthquake tragedy in Türkiye has changed the outlook on upcoming presidential elections. Although President Erdogan winning re-election remains the most likely outcome, the probability of an opposition candidate winning the election is rising which would have significant implications on ESG risk factors. The team will continue to monitor for any trends including upcoming elections which may result in a potential positive catalyst.

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. At the portfolio level, the teams may also perform sensitivity analysis on specific ESG factors to aid in portfolio construction and portfolio management decisions. Material ESG factors are monitored throughout the lifetime of investments.

CASE STUDY: Revisiting ESG assessment amidst governance concerns

Objective:
Review governance risks at a North American telecom operator.

Analysis:
The investment team conducted an updated credit assessment on a North American telecom operator. At the time of the assessment, the issuer had recently experienced some governance-related controversies. The investment team revisited its ESG assessment, including any updates to governance risks.

Due to the controlled nature of the company, corporate governance remained an issue for consideration. This became a more prevalent issue in 2021, amidst a disagreement from board members on the removal of the company's CEO. In addition, in 2022, as the company sought to acquire a competitor, there appeared to be an appetite to increase leverage to a level the investment team viewed as unfavourable for bondholders.

From a relative value perspective, the investment team determined some of the recent corporate governance issues may have contributed to the bonds trading more widely than peers.

Outcome:
Considering the aforementioned governance factors holistically with other material investment considerations, the investment team believed the short-term credit trend was negative but was neutral over the medium-term.

RBC Alternative Investments team

Approach

The RBC Alternative Investments team considers material ESG risk 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: Canadian High Yield Energy Sustainability-Linked Notes (SLN)

Objective:
Initiate credit coverage and form investment thesis on high yield sustainability-linked notes.

Analysis:
In January 2022, an energy company issued the first sustainability-linked notes in the Canadian high yield bond market. The RBC Alternative Investments team considered the issuer to have medium-to-high ESG risk based on its sector and environmental impact as an oil and gas producer. It believed the issuer was positioned well relative to peers on ESG, as it demonstrated ESG leadership and proactively addresses environmental and social factors, including management of asset retirement obligations, setting firm targets for lowering GHG emissions intensity, and increasing Indigenous workforce participation.

Before launch of the new sustainability-linked note, the team spoke with management and the chosen investment dealer to understand the issuer's commitment to ESG, and the structure of the proposed notes, including sustainability performance targets and coupon step-ups of up to 100 basis points. Sustainability performance targets included a 39% reduction in GHG intensity (benchmarked to 2020 levels) and an increase in percentage of Indigenous workforce participation to 6% (from 3.5% in 2020) by 2026.

Outcome:
Following its engagement with management and analysis of the sustainability-linked notes structure, the team incorporated available ESG information into its credit research process and consideration of the offering. The team ultimately participated in the transaction, and believed the new structure set a good precedent for future issuances from high yield companies in Canada.

RBC Global Fixed Income & Currencies team - Canadian Governments

Approach

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.

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 ESG country fundamentals. The ESG pillar in the Global Fundamental Model incorporates six indicators and multiple metrics per indicator that fit into the team's country scorecard framework.

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.

CASE STUDY: Green Bond Issuance

Objective:

Issue a green bond that supports investments in ESG-conscious real estate assets and align the portfolio's financial performance with the team's ESG investment thesis.

Engagement:

The strategy sought to raise debt capital in a manner that was aligned with its existing approach to material ESG risks and opportunities. To address this challenge, the strategy created the Green Bond Framework. The Green Bond Framework was designed to align debt capital raising activity with the four core principles of the strategy's Green Bond Principles. These principles are use of proceeds, process for project evaluation, management of proceeds, and reporting. The Green Bond Framework was independently reviewed by Sustainalytics, a Morningstar company, to ensure alignment with accepted market principles and expectations of the green bond investment community.[31]

Outcome:

The strategy issued its inaugural green bond in March 2022 to support investments in ESG-aligned real estate assets. The strategy engages in ongoing ESG monitoring and reporting through Global Real Estate Sustainability Benchmarks and SASB to ensure continued alignment with the Green Bond Principles and Green Bond Framework.

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.

[31] Sustainalytics provides ESG and corporate governance research and ratings. Sustainalytics supports investors who incorporate ESG and corporate governance insights into their investment processes.

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 Institutional Shareholder Services (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 CGRI team reviews vote recommendations to ensure that they accurately capture the intent of the Proxy Voting Guidelines. The CGRI team draws on research from both ISS and Glass, Lewis & Co. in its review, as well as internal expertise from the CGRI 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 CGRI 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 CGRI team receives automated alerts on particular voting circumstances including:
  - upcoming proxy contests;
  - transactional votes (e.g., M&A);
  - 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 will note and escalate voting issues where they believe the custom recommendation is not aligned with the best interests of the portfolio(s).

- The CGRI 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 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 CGRI. To 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 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 CGRI team conducts regular proxy voting reconciliations to 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 analysed on a semi-annual basis by the CGRI team, independent of ISS – once at the end of proxy season, and once at the end of the calendar year. The CGRI 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 are the investment and CGRI 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 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 functions, 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 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 ensure a thorough and complete understanding between 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 2022, we on-boarded new data to meet SFDR requirements, as well as data provider Verisk Maplecroft for the RBC Emerging Markets Sovereign Fixed Income team. Our BlueBay investment team was an existing subscriber of Verisk Maplecroft and the RBC Emerging Markets Sovereign Fixed Income team previously used the provider. After reconnecting with the provider in 2022, the RBC Emerging Markets Sovereign Fixed Income team was pleased with the provider's progress, especially on environmental research, and determined it could enhance the team's GFM framework. We are currently evaluating new research and data sources and are evaluating additional data inputs focused on areas such as: quantitative governance data and SASB-aligned ESG data sources.

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 increase transparency and foster fair and efficient markets for the benefit of all investors and clients globally.

Our investment teams meet with the issuers in which we invest on an ongoing basis. The specific ESG factors we engage on differ based on sector, asset class, and geography, as 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 of particular importance 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, when 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 implement our active stewardship strategy, which is inclusive of climate change matters. This includes 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 to develop action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner and demonstrate progress in meeting their 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 are integrated directly in the investment process and may be used in making investment decisions. In 2022, our teams completed over 1,800 engagements on ESG-related issues. [32] 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.
- **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 regularly 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 the CGRI Annual Reports, PRI Transparency Reporting, and UK Stewardship Code. 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 the sale 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.

[32] 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. 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 ensuring an operating environment 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 weaker 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 weak, as well as to influence for change in line with best practices.
Conventional public debt vs structured debt	▪Engagement is typically more straight forward 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 collateralized loan obligation, 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 meet with the boards of directors, management teams, or other 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 more than 1,800 ESG-related engagements in 2022. Public equities engagements represented approximately 66% of these engagements, and fixed income represented about 34%.[33]

Engagements are conducted for a variety of objectives, as discussed in our approach to direct engagement above. In most cases in 2022, 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 2022 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: Financial Inclusion & Social Impact

Objective:

Gather updated information on growth in environmental and social financing.

Engagement:

The RBC Asian Equity team met with an Australian financial institution with a global footprint to discuss the company's program growth in environmental and social financing. The team regularly engages with the company, as well as its peers, multiple times a year which facilitates monitoring and progress tracking.

Outcome:

The team was pleased with the company's growth in environmental and social financing. The company has invested and participated in arranging over AUD $65 billion of green energy-related deals since 2010 and is the top ranking global renewable financial advisor. The company's asset management business has also been investing in climate resilient infrastructure. The team maintained its investment in the company and continues to engage with the company on a regular basis.

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[33] See footnote 32.

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: High employee turnover – Follow-up

Objective:
Information gathering on causes, risks, and potential strategies related to high employee turnover.

Engagement:
In the third quarter of 2021, the PH&N Canadian Equity team engaged with a Canadian wood products manufacturer regarding employee turnover. Turnover at the company was high, despite low turnover at the management level. The company advised that turnover for frontline workers was greater due to the highly manual work. Because the market for general labour is very competitive, employees leave quickly if the manual work is not a good fit.

Outcome:
Information from the engagement was incorporated into the team's internal ESG analysis, and the issue was flagged for continued monitoring due to its materiality.

Update:
Since engaging with the company in 2021, the North American labour market remained tight in 2022. As a result, hiring talent with proper qualifications remained a challenge for the company. However, the PH&N Canadian Equity team believed the company was managing through the challenges and compensating employees with overtime where necessary. The company has since engaged a third-party to undertake a compensation benchmarking study for its employees. This has led the company to adding targeted sign-on, retention, and referral bonuses in order to improve its competitiveness. The company also implemented a human resources information system that assists in streamlining the hiring process, simplifying communication, and providing improved access to data and analytics.

CASE STUDY: Indigenous engagement

Objective:
Information gathering on the company's approach to community relations.

Engagement:
In 2022, the PH&N Canadian Equity team engaged with a midstream energy company related to its community relations approach. Strong community relations are a key focus of the company, particularly relations with Indigenous Peoples as the company's asset base intersects the territories of many Indigenous groups across North America. The investment team was impressed with the company's thoughtful and multi-pronged process. The company has a consultative approach to project management and construction, backed by a team of front-line workers directly engaging with Indigenous groups. Management discussed their willingness to listen to these groups and adjust construction accordingly. Management also discussed solutions they employ to work with affected Indigenous Peoples. For example, the company employs contractors from local Indigenous groups, and invests in communities in the form of training and project funding. The company also gives Indigenous groups opportunities to invest in projects alongside the company for further alignment.

Outcome:
Overall, the investment team was pleased with the company's approach to Indigenous relations and will continue to monitor the company's progress on this moving forward.

RBC Emerging Markets Equity team

Approach

The RBC Emerging Markets Equity team sees ESG-related engagements as an important input in its ESG analysis. One objective of engagement is information gathering to complete the team's internal Investment Checklist, which informs investee companies' internal ESG scores, overall scores for investment quality and conviction, and the team's ultimate investment decisions. The team also sees engagement as a method of driving ongoing ESG-related improvement by investee companies.

The team focuses its ESG-related engagements on two key areas:

1. Encouraging companies to publish sustainability reports, if they have not done so already. This is especially important, as ESG regulations and disclosures vary greatly in emerging markets.
2. Thematic engagements, including a focus in 2022 on greenhouse gas emissions and net-zero alignment. The RBC Emerging Markets Equity team believes that climate change-related risks are higher for emerging markets. The team has assessed climate risk exposure and preparedness at a country level and has engaged with several investee companies on their strategies and management of climate-related risks.

CASE STUDY: ESG disclosures – Follow-up

Objective:
Enhanced ESG and climate-related disclosures.

Engagement:
In the second quarter of 2021, the RBC Emerging Markets Equity team engaged with a leading global designer and manufacturer of optical lenses headquartered in China to discuss its climate-related disclosures. This was a continuation of an ongoing engagement requesting enhanced carbon emissions disclosures and an action plan for future emissions reductions.

Outcome:
In 2021, the company released its first standalone ESG report, which included improved carbon emissions disclosure. The investment team continues to engage and monitor the company's progress.

Update:
In 2022, the RBC Emerging Markets Equity team conducted a net-zero survey of its core holdings. Despite having improved climate-related disclosures, the company had no short-term carbon reduction targets or a long-term net-zero target. When the team engaged with the company again later in the year, the company stated that it was considering a net-zero plan with interim targets and may publish this plan in 2023. The investment team continues to monitor the company's progress on emissions disclosures and targets.

CASE STUDY: Biodiversity and nature loss

Objective:
Gain insights into the company's impact on biodiversity and nature loss.

Engagement:
The team engaged with a South Korean small-cap company on the topic of biodiversity and nature loss. As a supplier of chemical solutions, the company is subject to significant ESG scrutiny by its suppliers. On chemical waste, the company has ensured that materials are only disposed of after they have been cleansed. Due to the types of products that are produced, local authorities will not provide approvals to companies without the appropriate waste management and filter systems, and the company has not had any issue with this over the years, underlying the robustness of its processes. The company is also looking to improve its relationships with ESG ratings providers, including through enhanced disclosure, as an ESG consultant enlisted by one of its clients gave it significantly better ESG scores than the ratings provider that released a report without engaging with the company.

Outcome:
The team was pleased with the company's management of biodiversity and nature-related risks and will continue to monitor the topic moving forward.

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: ESG disclosures – Follow-up

Objective:
Encourage future disclosure on ESG metrics.

Engagement:
The RBC European Equity team engaged with a small-cap Italian game publisher and developer to discuss the importance of providing disclosure on ESG metrics. Although the team recognized that the company had a strong culture, there was no public disclosure on the company's diversity and inclusion policies. Management admitted that although the board was diversified, the workforce was male-dominated. The investment team indicated that it knew of other companies with this same challenge in the industry, and many have partnered with Women in Games, a global non-profit for women in games and e-sports, to help attract more women to the industry.

Outcome:
The company acknowledged the lack of diversity within its workforce and potential areas of improvement. The team planned to monitor the company, its approach to material ESG factors, and related disclosures for progress.

Update:
Ultimately, the RBC European Equity team decided not to invest in the company in 2021 or 2022 and ended its engagement. This is one example where the investment team engages with a company as part of its due diligence but may not ultimately invest. Although the company's lack of diversity contributed to the investment team's analysis of the stock, the team determined that gaining exposure to the industry via another company with a more liquid stock and diversified business would be in the bests interests of applicable portfolios. For comparison, the investment team noted this latter company is making strides to improve its gender diversity, which the team believes is becoming a bigger focus for the company, although a lack of gender diversity tends to be a common issue for companies in the video game industry.

CASE STUDY: Energy transition

Objective:
Discuss company's energy transition targets approach and messaging.

Engagement:
The investment team met with an Irish trading and distribution company to discuss the scrutiny on its energy division. Although this company has always had strong governance and management have been great allocators of capital and delivered strong financial results, the company has been punished by the market because of the negative perception of its energy division. The company explained how it believes it is in an energy transition business, and the modus operandi is to help its customers to get to net- zero and accelerate this change. Its clients are all at different stages on the path to net-zero, and it supplies their existing needs which may mean a more traditional energy supply in some cases. However, the company is also facilitating moving its clients beyond the traditional energy supply. The company aims to be scope 3 net-zero by 2050 and has aggressive targets on short-term reductions in scope 1 and 2 emissions, with projections to reach its initial 2030 targets by 2025. Carbon reduction targets are also part of the management incentive structure.

Outcome:
It was a useful dialogue with the company, and it is clear it is focused on being enablers in the energy transition. The investment team is supportive of the company working to ensure this message is transmitted to investors and the market.

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 whilst 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: Corporate culture – Follow-up

Objective:
Information gathering on a company's response to corporate culture concerns

Engagement:
Throughout 2021, the RBC Global Equity team met with a U.S. human capital software company to discuss its corporate culture. In early 2020, the investment team completed a bespoke survey of ex-employees to garner information on the company's culture. One of the unexpected concerns that arose was the high level of bureaucracy within the organization. In early 2021, the team raised this issue with the company, which acknowledged the issue and indicated that it had launched several initiatives to improve employee empowerment. In a follow-up call later in the year, the team asked the company for an update on the impact of the new initiatives on employees and overall corporate culture.

Outcome:
This engagement was ongoing in 2021, as the RBC Global Equity team considered another meeting to discuss the company's progress.

Update:
This engagement concluded in 2022 as the RBC Global Equity team sold out of its position in the company. The team considers corporate culture as a material factor impacting the company's performance, and it was therefore one component of its evaluation. For instance, the company was undergoing changes at the management level, several of which could benefit the company over the long-term. However, the decision to divest in 2022 was driven by multiple considerations in the team's proprietary evaluation framework. Should the investment team decide to invest in the company again in the future, the engagement on corporate culture could resume.

CASE STUDY: Climate change factors in technology firm

Objective:
Active ownership.

Overview:
The RBC Global Equity team has regularly conducted engagement meetings with the company's executive sustainability members to engage on material areas. This has included human capital management, the company's net-zero ambition, circular economy, governance issues, and artificial intelligence. In 2022, the investment team engaged with the company to discuss decarbonisation and the company's climate technology programs.

Outcome:
The RBC Global Equity team spoke to the company's head of ESG to discuss the bottlenecks the company was facing in trying to decarbonise its operations, and its commitment to funding the climate technology space through its $2-billion venture investment program which develops the technology needed for the company to reach net zero. The team also engaged with the company on its human capital management to understand how the company is using employee engagement questions to connect and solve the biggest pain points within the business. Overall, the team will continue to monitor and engage with the company on these issues. This may include a site visit to better understand these ESG issues.

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.

CASE STUDY: ESG disclosures and targets

Objective:
Engage to encourage continued progress with ESG disclosure and targets post-merger.

Engagement:
The RBC North American Equity team engaged with the board of directors of a Canadian industrial company following a recent merger. The goal of the engagement was to gain an understanding of the governance objectives for the newly combined company. Board gender diversity was one topic of focus, where the team reiterated its desire for 30% representation of women on boards. The team discussed emissions reduction targets which will need to be updated for the combined company and also provided feedback on executive compensation benchmarks and targets. Compensation will be an area the team looks to monitor in future disclosures.

Outcome:
The investment team was pleased with the board's approach and acknowledgment of the material ESG factors impacted by the merger. The board's interest in investor feedback and focus on sustainability and governance was notable. The team will continue to monitor the disclosure, diversity, and executive compensation of the combined company.

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.

CASE STUDY: Corporate governance

Objective:
Information gathering regarding a U.S. health care company's increase in its stock-based compensation for 2022.

Engagement:
The significant increase in stock-based compensation in 2022 was largely due to the way the accounting was completed for the company's financial statements. In addition, the team also noted that grants were given to all employees, including the relatively lower paid employees, which represented the company's largest employee population. The team believes the company's equity compensation is a differentiator in retaining and incentivizing longer-term employees and recruiting and retaining new employees.

Outcome:
Although there are benefits for its workforce, the investment team notes that equity compensation can be expensive for a growing company and increased use of this approach may lead to dilution for shareholders. The investment team will continue to monitor the company and its stock-based compensation moving forward.

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: Corporate governance at a controlled company

Objective:

Information gathering on corporate governance at a controlled company.

Engagement:

The RBC U.S. Value and Core Equity team engaged with a value-added reseller of technology products on its corporate governance. The company is a controlled company, with one beneficial owner owning more than 50% of the company's voting stock. Cognizant of the ownership structure, the investment team spoke to the company about the board structure and recent changes. The board recently added a sixth member, and the investment team was pleased that over 30% of board seats were held by women. In addition, the investment team noted the board's average tenure of 14 years at the time of the last shareholders' meeting but was encouraged with two new additions to the board in the last two years. The team also recognized that two longer-tenured directors skewed the average director tenure, mitigating concern.

Outcome:

Overall, the investment team found the engagement constructive, and was pleased with some of the recent governance changes at the company.

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 prioritised 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 investment team's engagements may alternate between information gathering and efforts to encourage improvements in practice, or contain elements of both, and the team's engagement approach is incorporated into the investment research process.

CASE STUDY: El Salvador's cryptocurrency trial

Objective:

Inquire about the decision to allow the use of Bitcoin as legal tender and give every citizen an e-wallet, known as Chivo wallet, stocked with a government handout of US$30-equivalent in cryptocurrency.

Engagement:

BlueBay's emerging markets sovereign analysts visited El Salvador in February. The legal tender status and weak safeguards around the Chivo Wallet were proving stumbling blocks to an International Monetary Fund lending programme for El Salvador and introduced a new element to the governance factor in traditional ESG benchmarks for sovereign issuers. It was clear that usage of the Chivo Wallet was very limited. Most people took their US$30 out straight away and then deleted the app – if they were able to access it at all. Banks and other businesses advised the investment team that very few people transact in Bitcoin. Banks were very wary of breaching international governance standards around know your customer and anti-money laundering, even where domestic regulation is lacking.

Outcome:

It seemed El Salvador's crypto experiment was creating more problems than it solved. Although the government claimed to want to improve financial intermediation for the poor, the team believes mobile payment systems adopted elsewhere offer a much more secure and trustworthy way of doing this than a system based on an inherently volatile Bitcoin. El Salvador's internal Fundamental ESG Risk Rating assigned by BlueBay was 'high' and the team believed it was very important to be engaging with the sovereign. Despite attractive valuations and a lot of risks already being priced into bond valuations, following the trip, the team reduced exposure to El Salvador to move closer to market weight in spread duration and will continue to monitor.

CASE STUDY: ESG disclosures at a Mexican oil company

Objective:

To urge the company to reinstate its signatory status to the UN Global Compact, and to improve ESG disclosures.

Engagement:

In July, the investment team travelled to Mexico to meet the Chief Financial Officer (CFO), Chief Treasurer, and members of the upstream, downstream, ESG and planning teams of a large Mexican oil and gas company. The goals for this engagement included encouraging the company to restore its UN Global Compact signatory status, provide more timely sustainability reports (and publish them in English) and generally provide greater public ESG transparency.

Outcome:

Throughout the meeting, the CFO was receptive to the team's thoughts and suggestions and the team left the meeting feeling generally positive about having delivered its message.

It was apparent from other meetings that the company has been facing similar pressure from domestic banks, local institutional investors, and pension funds, for some time, all of whom are large investors in the company.

The team planned to follow up with the company to ensure concrete progress. The engagement complements ongoing collaborative engagement the team is involved in through Climate Action 100+.

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. In 2022, the team had 22 engagements with various management teams.

CASE STUDY: ESG initiatives and best practices

Objective:
To gain insight of ESG initiatives and best practices implemented by a Canadian privately-owned tolled expressway.

Analysis:
In 2022, the company adopted standardized ESG reporting frameworks, specifically SASB Standards and the recommendations of the TCFD for its annual ESG reporting. The company has targeted a 25% reduction in scope 1 and 2 GHG emissions by 2030 relative to the 2018 benchmark year. Furthermore, it is evaluating opportunities to electrify a portion of the maintenance fleet. Management acknowledged that with current technology, it is not yet possible to electrify heavy equipment, such as snowplows, which account for the majority of scope 1 emissions.

In 2022, the company invested heavily in sponsorships and donations related to social issues.

From a governance perspective, the company is majority Canadian-owned and the board consists of 13 members, of which four are women (31%) and eight are independent (62%). The board has direct ESG oversight, while the ESG Steering Committee has been assigned responsibility for the development and implementation of ESG strategy, the coordination of ESG-related activities, as well as oversight of ongoing ESG-related disclosures.

Outcome:
As a result of this engagement, the investment team gained insights of the ESG initiatives undertaken. The team also gauged the company's interest in potential sustainable bond issuance. The company is amendable to the idea, however management indicated that a cost-benefit analysis needed to be performed.

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 green or sustainable new issuances.

CASE STUDY: ESG Framework

Objective:
Engage with third-party consultant to help shape an issuer's ESG framework and reporting going forward.

Engagement:
The PH&N Fixed Income team has been engaging with a large Canadian power generation entity over the past two years to provide feedback on a variety of ESG issues, including the issuer's exposure to natural gas-fired and nuclear generation. In 2022, the team took part in a materiality assessment to inform the issuer's ESG strategy going forward and to determine areas of focus in its reporting. This assessment was conducted by a third-party consultant, which engaged with employees, project vendors, shareholders, communities (including Indigenous communities), the regulator, environmental groups, and bondholders.

Outcome:
As a result of the engagement, the entity identified what stakeholders believed to be its most significant ESG exposures. This was a positive development in the investment team's view because it will allow management to direct its focus and reporting in order to mitigate those specific risks.

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 to a limited degree in its overall ESG integration process, as opportunities for direct engagement can be more limited with government issuers.

The team does typically attend 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: Brazil & Philippines

Objective:
Information gathering on thought process for potential ESG-linked issuance and the framework applied. Express our opinion on the matter from an investor perspective.

Description:
In the last six months, the RBC Emerging Markets Sovereign Fixed Income team met with policymakers from Brazil and the Philippines, which afforded the opportunity to discuss ESG initiatives. In its one-on-one meeting with the Treasury Secretary and Public Debt Management Undersecretary of Brazil, it exchanged views on ESG-related topics including potential future ESG-linked issuance, and what improvements can be made to the framework to entice more investor demand. On a separate occasion, a senior delegation from the Philippines travelled to London to deliver an economic briefing. The delegation included the finance minister, governor of the central bank and other prominent officials. There was an opportunity to speak with these representatives on ESG projects and future financing capabilities.

Outcome:
The investment team was pleased with the opportunity to exchange views and was able to establish contacts for future follow up opportunities.

RBC Impact Investing Fixed Income team

Approach

The RBC Impact 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: Alignment with climate impact theme

Objective:
Information gathering for potential investment opportunities in the transition to electric vehicles.

Analysis:
The RBC Impact Investing Fixed Income team met with a large auto asset-backed security issuer to discuss the transition to electric vehicles and the possibility to have asset-backed security structures with 100% electric vehicles as collateral. The team learned that the transition to electric vehicles is a strategic priority for the company. However, electric vehicle production is still small relative to gas-powered vehicles. In addition, financing for electric vehicles is a smaller subset of that universe as some consumers opt for cash purchases. Further, there are other hurdles such as: a) the risk inherent in having a high concentration of a few models of vehicles; b) the lack of historical data on disposal values; and c) long term maintenance expenses related to batteries and charging stations.

Because of the aforementioned factors, an asset-backed securities deal with 100% electric vehicles as collateral was not economical. The plan of action is to slowly introduce electric vehicles to traditional asset-backed securities structures and over time they will become a larger percentage of the collateral pool.

In terms of ESG, electric vehicles are a contributor to climate action goals. However, the space does warrant thorough analysis around social aspects to better understand mining of materials used in production, labor practices, as well as affordability for lower income individuals.

Outcome:
As a result of this engagement, the investment team determined that this is an asset class that is not going to be available to investors in the near-term future. Therefore, the team planned to deploy capital in other areas of the asset-backed securities universe that are more established.

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: Transformative acquisition

Objective:
Information gathering on acquisition of a lower carbon and renewable fuels platform.

Engagement:
The RBC Alternative Investments team met with a high yield rated Canadian energy distribution issuer that recently announced a transformative acquisition. The target company distributes lower carbon and renewable fuels in North America, including compressed natural gas, renewable natural gas, and hydrogen. The management team described how these fuels are both much cheaper and cleaner compared to diesel, resulting in growing customer demand for lower emitting alternatives. The acquisition comes with additional credit benefits of lowering financial leverage (since equity issuance and an asset sale will partially fund the acquisition) and reducing expected future acquisition activity (due to focus on integrating and investing in the newly acquired business).

Outcome:
The investment team gained more comfort around the transformative acquisition, and believes it improves the issuer's business risk profile over the long-term as customer demand shifts to lower carbon fuels. Although the team was not invested in the issuer, it will monitor acquisition integration progress in the coming quarters before the company potentially issues high yield bonds to refinance its shorter-term debt.

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).

RBC European Fixed Income

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. In 2022, the team had more opportunities to engage with issuers in person.

CASE STUDY: Italian utilities sustainability-linked bond

Objective:
To determine whether to invest in a sustainability-linked bond.

Engagement:
An Italian utility company recently came to market with a sustainability-linked bond. Although the company has issued sustainability-linked bonds in the past, this most recent issue had a new feature – its coupon was structured in a way that the company is not only penalized by a higher coupon reset if its sustainability goal is not attained, but the coupon could also reset lower if the goal is attained. In essence, investors could be asked to forego financial compensation for the sake of the company's improvement in sustainability metrics. The structuring banks and issuer asked for the investment team's opinion on the new feature and its potential interest to invest in the new bond.

Although the team acknowledged that in principle this new feature would not preclude it from participation, its position was that from a return perspective, the possibility of a lower coupon was an additional risk factor it would expect to be compensated for. As a result, it would expect this new bond to be issued at a cheaper valuation relative to the rest of the issuer's bond curve.

Outcome:
The new bond was priced broadly in line with the secondary curve and the team did not see the pricing as attractive enough to invest.

RBC Developed Markets Sovereign Fixed Income

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

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:

Ensure investments comply 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 heritage office building and leased to a single tenant with an experienced sponsor. As part of the environmental due diligence, the indoor air quality testing demonstrated concentrations above the Ministry of Environment's recommended guidelines. The investment team engaged with the origination partner and borrower to relay the concerns and the requirement for compliant air testing in order to move forward with the investment. The environmental consultant recommended a remediation plan and the borrower committed to implementation.

Outcome:

The remediation plan was implemented and monitoring was ongoing. However, due to the delays in obtaining acceptable results and the passage of time, the investment team elected to pursue other opportunities.

RBC Private Markets Real Estate Equity Investments

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 GRESB and 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 team significant influence to effect change on a regular basis.

CASE STUDY: Energy & GHG reduction

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 strategy and its investment partner work together to 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 80% reduction by 2050.

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 and other lawmakers. We participate in initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. We recognize that advocating for regulatory and legal reform can be more effective when market participants work together. Where interests are aligned, collaboration with like-minded investors 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 2022 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 2022 are summarised in Principle 4.[34]

Climate Action 100+ engagement with integrated energy company	**Approach** As a signatory to Climate Action 100+, in 2022 we participated in five collaborative engagements. For example, the RBC North American Equity and CGRI teams engaged multiple times with an integrated oil company over the course of 2022.
	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 disclosures. Over the course of the year, the investor collaboration met with representatives of the company.
	Outcome In 2022, the company announced medium-term emission reduction targets to further support existing emissions targets. Areas of ongoing discussion include the disclosure of scope 3 emissions, and the implementation of climate scenario analysis.

[34] See footnote 13.

Canadian Coalition for Good Governance (CCGG) engagement with Canadian bank	**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 2022, CCGG completed 30 collective engagements. RBC GAM provided direct comments for six.
	Collaborative engagement In one such example in 2022, the PH&N Canadian Equity team provided comments to CCGG on an upcoming CCGG engagement with a large Canadian bank. The investment team requested that CCGG inquire as to whether the bank would ever sever ties with a client for inadequate climate transition planning or action, as part of the bank's efforts to meet its target of net-zero financed emissions by 2050. These topics were included in the agenda for CCGG's engagement with the bank, led by the Executive Director, Director of Board Engagement, and Head of Research at CCGG .
	Outcome The company noted that the bank is a constructive partner to its clients and that it believes that it is part of the bank's responsibility to help clients transition to a lower carbon economy. It was added that the bank is not yet at a stage where it would consider severing ties with clients over inadequate transition planning or action. The investment team used CCGG's notes from the meeting to update its own research on the company's management of climate-related risks.
Participation in the World Wildlife Fund (WWF) Deforestation and Conversion Free Implementation Toolkit	**Approach** As members of EMIA, BlueBay's investment 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 on piloting its Deforestation and Conversion Free Implementation Toolkit. This has now been adapted to provide financial institutions with a means of assessing the progress of invested companies towards deforestation free supply.
	Collaborative Engagement In 2022, 23 investors participated in an update call with investors, WWF and the consulting group enlisted to support the project. The call was an opportunity to get insights into the findings and trends to date and for investors to provide feedback so that the tool can be finalised and the assessment report updated to incorporate investor comments. The next stage will be to expand the tool to a second set of companies (not Brazilian), as well as for the companies that have already participated to share their implementation plans with investors.
	Outcome We believe the WWF's Deforestation and Conversion Free Implementation Toolkit has the potential to be a valuable tool given its collaborative origins and the expertise that has informed it. We welcome the efforts to adapt its outputs 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 engagement. We will continue to participate in the initiative and provide our 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 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 within our private dialogue.

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 sector 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 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 withholding 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.

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, which may in turn lead to further engagement opportunities either directly or collaboratively. Similarly, a public statement may lead issuers to reach out to their shareholders 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.

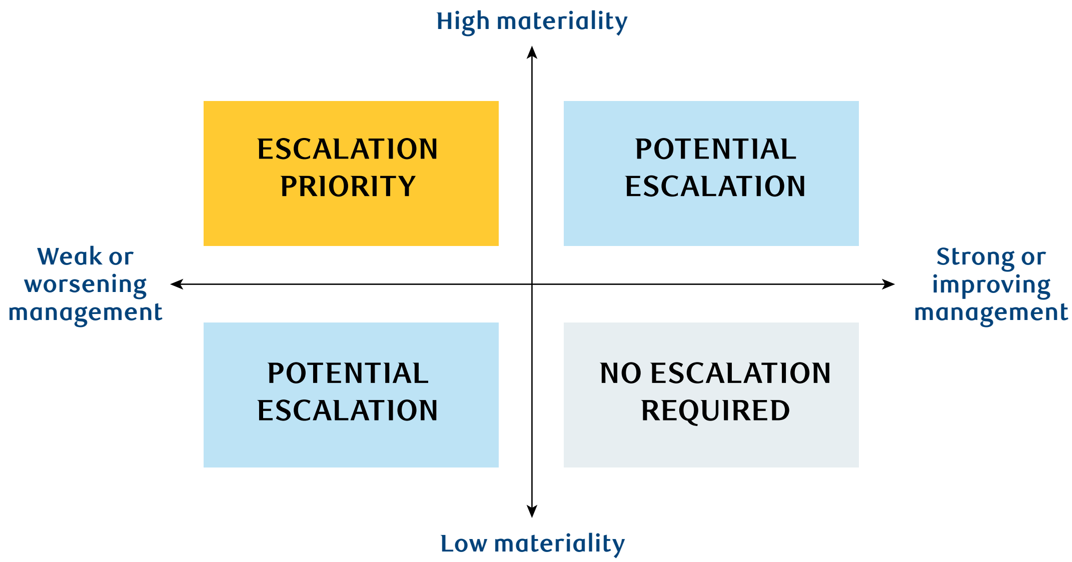
LIMITATIONS TO ESCALATION IN FIXED INCOME

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 prioritising 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 prioritise 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 CGRI 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 ensure proper 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 two 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

Below, 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 engagement taking place and the outcome can be considerable, particularly in emerging markets.

More stringent voting policies and associated engagement on board gender 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% gender diversity target and to enhance the presence of other underrepresented groups on their boards and at the executive management. As of 2022, 32.9% of board seats were held by women at S&P/TSX Composite Index companies.[36]
	Escalation In 2021, we updated our Proxy Voting Guidelines such 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 represented an increase from the 25% board membership threshold in 2020.
	Outcome In 2022, RBC GAM voted against 2,591 proposals globally on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 2,591 proposals, we voted against the election of the nominee at least in part due to board gender diversity concerns on 1,517 (58.5%) proposals. This figure is roughly in line with 2021, as disclosed in our 2021 Commitment to the UK Stewardship Code (~60%). Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g. gender diversity, board independence, etc.)
	Update As discussed in our 2021 Commitment to the UK Stewardship Code, following the 2021 proxy voting season, we sent engagement letters to the chairs of the boards of directors at five Canadian companies, with whom we have had ongoing engagements on gender diversity, to explain our new 30% guideline and request that these companies continue to improve their board gender diversity practices ahead of the next annual general meeting of shareholders. ▪ Two companies' representation of women on the board remained below 30% at the 2022 annual general meeting but adopted a gender diversity policy with a target to increase the representation of women on the board to 30% by the 2023 meeting. RBC GAM did not vote against director elections in 2022 due to this policy. ▪ Two companies' representation of women on the board remained below 30% and did not adopt an adequate, time-bound gender diversity policy. RBC GAM voted against the election of directors in 2022 on this basis. ▪ One company had an informal target that not less than 30% of directors on the board will be women going forward and reached 30% gender diversity on the board by the 2022 annual general meeting. RBC GAM did not vote against director elections in 2022 on this basis.

[36] See footnote 17.

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 2021, RBC GAM escalated our efforts by becoming a founding signatory to the RIA Canadian Investor Statement on Climate Change. This is a public statement, coordinated by the RIA and signed by a large portion of Canadian institutional investors, which clearly states our expectations for investee companies.

Specifically, with due regard to the materiality of climate change risks and opportunities to their business, we expect investees to:

1. Establish robust board and management oversight of climate-related risks, opportunities, strategies, and performance to support the company's reduction of emissions.
2. Establish long-term and interim GHG emissions reduction targets that are based on climate science and are aligned with the ambition of achieving net-zero emissions by 2050 or sooner.
3. Collaborate and consult with stakeholders to identify opportunities that support the transition to net zero and mitigate the potential negative impacts of a transition to net zero on workers, communities, and Indigenous Peoples.
4. Provide annual disclosures that align with the recommendations of the TCFD, including disclosures of emissions data, detailed transition plans, and progress against stated GHG emissions reduction targets.
5. Ensure that lobbying activities and industry association memberships are aligned with a just transition and the ambition of achieving global net-zero emissions by 2050 or sooner.

Outcome
The full statement can be found here. We will continue to monitor progress and engage with companies on the expectations set out in the Canadian Investor Statement on Climate Change, in our Approach to Climate Change, in our Net-Zero Ambition, and in our Proxy Voting Guidelines. For more information, all of these documents are available on our website.

Update
Consistent with the RIA Canadian Investor Statement on Climate Change, our Approach to Climate Change, and our Net-zero Ambition, in 2022, we updated our Proxy Voting Guidelines to communicate that we expect issuers in which we are invested, where climate represents a financially material risk, to establish credible targets and to develop action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner. We also included that we expect them to demonstrate progress in meeting their commitments. Lastly, we updated language to recommend that companies disclose in line with the recommendations of the TCFD.

In 2022, we supported roughly 30% of proposals that our proxy service provider, ISS, categorized as either a 'Report on Climate Change' or 'GHG Emissions'. 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. 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 ensure the company's long-term success. 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, we believe that the majority of directors on the board should be independent of management. Our Proxy Voting Guidelines state that in markets where our Guidelines apply, at least 2/3 of the board should be considered independent.

There are several factors that may compromise the independence of the board, including family and personal relationships, excessive compensation, or excessive tenure. When a board's independence from management becomes compromised, we believe this can pose governance risks to investors.

Escalation amidst governance concerns

Escalation
In the case of a North American real estate investment company, RBC GAM identified concerns with the equity incentive plan granted to the company's Executive Chair ahead of the 2020 annual meeting. More specifically, we determined the plan would further dilute existing investor ownership, and that the performance conditions were not sufficiently robust. We communicated our views to independent members of the board.

From a governance perspective, the compensation package was one factor leading us to believe the Executive Chair was able to act unilaterally, without sufficient scrutiny from the board. To that end, in 2021, we voted against several directors' elections, including two directors involved in the equity incentive plan design who we determined should no longer be considered independent. Specifically, we were concerned that, amidst broader governance concerns, the lead director had been on the board for over fifteen years, alongside the Executive Chair.

Although the board did show signs of renewal in 2021 and 2022, at the 2022 annual meeting, we once again voted against the election of the aforementioned directors due to these governance concerns. In addition, in 2022, RBC GAM adopted a new proxy voting guideline designed to identify potentially disproportionate tenure on the board. Specifically, the guideline recommends votes against directors where more than 1/3 of the board have a tenure of 15 years or more. Despite some board renewal more than 1/3 exceeded this tenure figure at the 2022 annual meeting.

Outcome
RBC GAM maintained exposure to the company in some portfolios where its financial characteristics were suitable for the strategies' investment objectives, but we divested from the stock in several portfolios in 2021 and 2022. Although other factors played a role in this decision, the investment team engaging with the company determined it was not being adequately compensated for the governance risks.

Principle 12 provides more information on our proxy voting activities and how we voted in 2022.

Engagement escalation leading to a reduction in exposure	**Approach** Ultimately, at any stage of engagement with an issuer, our investment teams may choose to divest from, or reduce exposure to, the investment entirely. This may occur when the investment team does not believe that the ESG issue is being appropriately managed, despite ongoing engagement and stewardship efforts, and deems that the issue materially affects the investment case overall. 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 or reduce exposure.
	Escalation The BlueBay investment team held an update call with the CFO of a Canadian mining company after a regulatory board recommended against the company's application to increase its export volume as a result of an expansion project. The engagement focus was on health and safety, labour relations and human resources, and human rights and community relations. During the discussion, the investment team heard management's perspective on the ruling. Management shared that they were surprised by the ruling as prior conversations between company management and the Canadian federal and provincial governments had indicated support for the project due to the substantial tax/royalty revenue and employment the project and mining operations provide, and to keep Canada as a destination for foreign investment. As such they had expected the proposal to get a positive recommendation from the regulator with some attached conditions. This was a regulatory recommendation that the Canadian government can overrule, which has occurred in the past. Whilst our investment team believed there was a reasonable probability that the federal government would rule in favour of the company, and the increase in its mining quota and expansion project, the team's concerns centered around the rationale for the recommendation. Specifically, the regulator's ruling flagged environmental impact concerns on narwhal hunting and other environmental impacts from mining activities, as well as claims that the company has not lived up to promises made from approval of previous production increases. Such matters highlighted that management has inadequately addressed the local Inuit community concerns over the past few years, and that progress has stalled on mitigating its main environmental and social risk factors.
	Outcome Such insights gained from the engagement pointed to a potential negative ESG trajectory of the issuer, such that the investment team made the decision to limit its exposure across its ESG-orientated high yield strategies.

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 recognised 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 CGRI team for all RBC GAM funds, except for those managed by third-party sub-advisors, certain funds managed by BlueBay, 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.[37] 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. In the U.S., RBC GAM mutual funds do not participate in securities lending.

In instances where RBC GAM has sold our position but is 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, thoughtful approach to each vote is consistent with our principal duty.

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,

[37] 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). It is RBC GAM's policy not to vote shares that are subject to share-blocking.

RBC GAM utilizes the local benchmark voting policy of ISS.

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

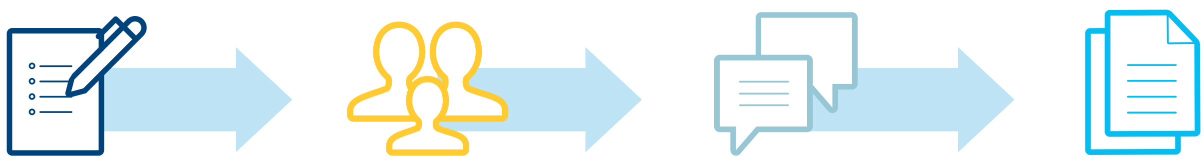
- The structure and independence of the board of directors
- Executive management and director compensation
- Takeover protection and transactions
- Shareholder rights
- Environmental and social issues

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). An overview of updates is available in our semi-annual responsible investment reports on our website.

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 CGRI 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 2022, BlueBay managed its own proxy voting, according to its Proxy Voting Policy, which takes into account the RBC GAM Proxy Voting Guidelines. Voting decisions were administered and submitted by the Corporate Actions team, with voting decision input from the appropriate portfolio manager(s). See the section entitled BlueBay's Proxy Voting Process 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 Corporate Governance and Responsible Investment (CGRI) 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 our semi-annual responsible investment reports, and provide additional reporting to clients.

Our CGRI team manages proxy voting for RBC GAM, excluding funds managed by external sub-advisors and certain funds managed by BlueBay. This proxy voting process is only applicable for proxy voting executed by the CGRI team.

The CGRI 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 finalised. 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' custom research team makes recommendations on how proposals should be voted, in accordance with our Proxy Voting Guidelines, where applicable. However, the CGRI and investment teams evaluate these recommendations prior to finalising 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' local benchmark voting policies and make a decision 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 benchmark policy. We work closely with ISS to 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 CGRI team will consult with investment teams and escalate the matter to the Proxy Voting Committee. Committee members include the Head of the CGRI team and the CIO, among others. The CIO retains ultimate 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. Subsequently, 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

The RBC GAM custom 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 proxy benchmark voting policies. In all cases, RBC GAM reviews meetings and proposals to 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 are able to identify market- and issuer-specific nuances to 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.

Direct engagements with issuers can also play an important role in these markets. As long-term investors, our engagement efforts focus on building long-lasting, sustainable 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 RBC GAM makes our voting decisions. RBC GAM works directly with ISS and our custodians to set up accounts for voting in ISS's 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 CGRI 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 CGRI team then initiates account onboarding onto the ProxyExchange platform. Finally, we conduct 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 U.S. 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 CGRI team with custodians, ballot providers, and ISS in order to enhance our understanding of the mechanics of the proxy voting system.

Finally, 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.

Exceptions to our Proxy Voting Approach

As indicated, RBC GAM generally votes the same way across all internally-managed funds, in accordance with the our Proxy Voting Guidelines. We believe that our Proxy Voting Guidelines represent leading practices in corporate governance and responsible investment. 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**: In 2022, certain BlueBay funds' proxy voting was managed directly by BlueBay's investment and Corporate Actions teams, in accordance with its Proxy Voting Policy.
- **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 our publicly available annual and semi-annual CGRI reports. We may also provide additional customised 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 Commitment to the UK Stewardship Code, we noted an intention to work towards expanding our vote rationale disclosure into other markets. This remains an initiative but was placed on hold in 2022 in order to focus resources on other priorities; namely updated ESG-related regulatory requirements.

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 2022, BlueBay also submitted voting records to RBC GAM on a quarterly basis for public disclosure for the prospectused-qualified funds sub-advised for RBC GAM Inc.

BLUEBAY PROXY VOTING PROCESS

In 2022, BlueBay managed its own proxy voting, according to its Proxy Voting Policy. Given BlueBay's specialist focus on fixed income assets, the number of occasions when BlueBay investment teams engage in proxy voting was limited and most likely to occur with convertible and high yield bond investments, where an allocation may take on formal voting rights. In such cases, BlueBay made appropriate use of its voting rights on matters of corporate governance and responsibility, applying the same process and policy for voting across all geographies and instruments. There may also be instances outside of the annual meeting cycle (in the case of convertible bonds), where corporate issuers may seek BlueBay portfolios' support to authorise certain business decisions and quorum of investors is needed to be passed.

BlueBay's Proxy Voting Policy established a series of principles to be applied when exercising voting rights attached to client securities within managed portfolios.

These include:

- In reaching a recommendation on how a proxy should be voted, BlueBay must act prudently and in the best interests of the affected clients and will ensure that voting rights are exercised in accordance with the portfolio's objectives and investment policies.
- BlueBay may depart from the principles to avoid voting decisions that may be contrary to clients' best interests in particular cases.
- BlueBay may choose not to vote where voting may be detrimental to the best interests of clients, such as due to high administrative costs associated with voting or shareblocking requirements that "lock up" securities, which would limit liquidity or access to market opportunities.

The relevant members of BlueBay's investment team are responsible for recommending how proxies relating to securities held by clients in managed portfolios should be voted. The relevant personnel consider each exercise of rights and take into consideration the best interests of clients when voting on specific events or issues associated with the board and its committees (e.g. board independence and diversity), shareholder rights, audit and internal control, executive remuneration, use of capital (e.g. mergers and acquisitions) and other business. This is done on a case-by-case basis. Ultimately, investment teams retain discretion on voting decisions but may consult with internal resources for guidance.

BlueBay utilised Broadridge's ProxyEdge online platform, which alerts the user to any upcoming proxies due to be voted on and provides a portal through which users can vote. However, this does not provide any background research or recommendations on how to vote the proxy. It maintains a record of the proxies in which users are eligible to vote and voting decisions.

BlueBay's Operations function managed the process of coordinating and documenting decisions.

In terms of BlueBay's approach to seeking amendments to terms and conditions in indentures or contracts, access to information provided in trust deeds, impairment rights and reviewing prospectus and transaction documents, where feasible, the BlueBay investment team will raise such topics with issuers, particularly in primary issuance.

Due to the alignment of RBC GAM-UK and BlueBay (see Principle 2), voting for BlueBay funds will be transitioned into RBC GAM's overall approach and administered by the CGRI team in 2023.

Proxy voting results[38]

The table below summarizes how we voted against management's recommendations across markets in 2022. The proxy voting statistics in the first table include voting for all of RBC GAM with the exception of funds managed by BlueBay, externally managed sub-advised funds, and specific institutional accounts.

	Canada	U.S.	Overseas	Overall
Proposals	3,444	11,510	20,871	35,825
Votes WITH management	3,028	9,080	18,807	30,915
Votes AGAINST management	416	2,430	2,064	4,910
% of votes AGAINST management	**12.1%**	**21.1%**	**9.9%**	**13.7%**

In addition, the below table summarizes BlueBay's proxy voting record in 2022:

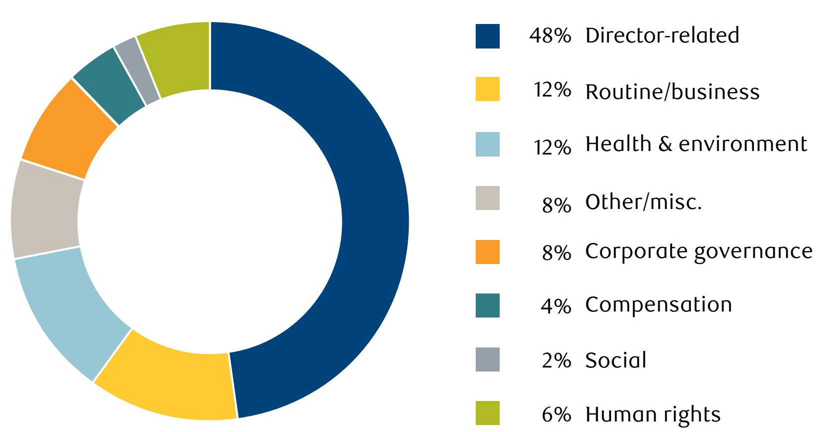
No. issuers	Total instances/ votes	No. instances/ votes cast FOR	No. instances/ votes cast AGAINST	No. instances/ votes ABSTAIN	No. votes AGAINST management
24	189	177	3	9	9

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

Shareholder proposals

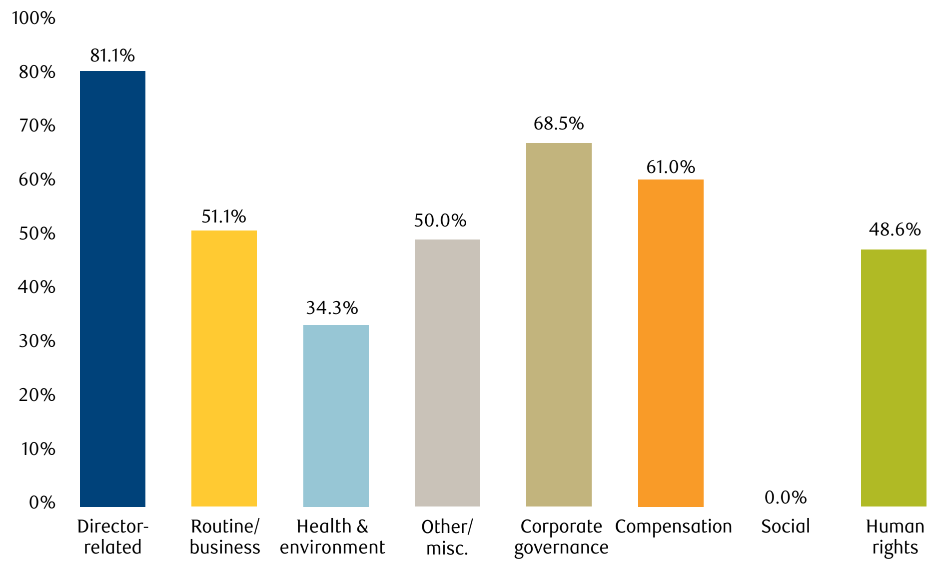
Shareholder proposals represent a small number of the overall ballot items but are an important mechanism for shareholders to request that an investee company take action on material and trending issues. For context, out of the total 35,825 management and shareholder proposals on which we voted in 2022, 1,160 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



[38] The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by BlueBay Asset Management LLP, externally managed sub-advised funds, and specific institutional accounts

Shareholder proposals supported by category (% FOR)



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.			Overseas			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												
Amend or approve Omnibus Stock Plan	0	24	100.0%	4	189	97.9%	2	17	89.5%	6	230	97.5%
Elect director	2325	291	11.1%	6544	1782	21.4%	4811	518	9.7%	13680	2591	15.9%
Approve remuneration of executives	177	12	6.3%	863	121	12.3%	611	142	18.9%	1651	275	14.3%
Management climate-related proposal	2	0	0.0%	0	0	0.0%	24	2	7.7%	26	2	7.1%
Approve remuneration of directors	0	0	0.0%	1	0	0.0%	788	71	8.3%	789	71	8.3%
Ratify or approve auditors and their remuneration	288	4	1.4%	1079	1	0.1%	808	13	1.6%	2175	18	0.8%
Shareholder proposals												
Require independent board chairman[39]	0	0	0.0%	3	34	91.9%	0	0	0.0%	3	34	91.9%
Provide right to act by written consent or amend articles to call special meetings[40]	0	0	0.0%	9	74	89.2%	0	0	0.0%	9	74	89.2%
Racial equity and/or civil rights audit	0	0	0.0%	5	17	77.3%	0	0	0.0%	5	17	77.3%
Report on equal employment opportunity[41]	2	2	50.0%	1	5	83.3%	0	0	0.0%	3	7	70.0%
Political contributions and/or lobbying disclosure	0	0	0.0%	15	28	65.1%	0	0	0.0%	15	28	65.1%
Gender pay gap	0	0	0.0%	2	3	60.0%	0	0	0.0%	2	3	60.0%
Human rights risk assessment or improve human rights standards	3	1	25.0%	9	13	59.1%	0	0	0.0%	12	14	53.8%
Report on climate change and GHG emissions[42]	2	0	0.0%	28	17	37.8%	22	4	15.4%	52	21	28.8%
Proposals requesting non-binding advisory vote on climate action plan	6	0	0.0%	0	0	0.0%	0	0	0.0%	6	0	0.0%

[39] In the case of a proxy contest, shareholders are often able to vote on either a management card or dissident card. For the period under review, RBC GAM voted on the management card of a proxy contest that included shareholder proposals. As a result, our instructions of “Do Not Vote” on the dissident card were calculated as one vote AGAINST management under the following proposal categories: “Approve Remuneration of Executives”, “Ratify or Approve Auditors and their Remuneration”, “Provide Right to Act by Written Consent or Amend Articles to Call Special Meetings”, “Racial Equity and/or Civil Rights Audit”. The following categories received two proposals on the dissident card, as a result, our instructions of “Do Not Vote” on the dissident card were calculated as two votes AGAINST management under the following categories: “Political Contributions and/or Lobbying Disclosure”.

[40] Management supported one proposal under the “Provide Right to Act by Written Consent or Amend Articles to Call Special Meetings” item category. After review, RBC GAM voted WITH management on the proposal.

[41] Management supported one proposal under the “Report on Equal Employment Opportunity” item category. After review, RBC GAM voted WITH management on the proposal.

[42] Six proposals were supported by management teams in the “Report on Climate Change and GHG Emissions” item category. After review, RBC GAM voted WITH management on all six proposals. RBC GAM voted FOR two additional proposals where management did not provide a voting recommendation.

Proxy voting case studies

We share our proxy voting results and observations in our annual and semi-annual CGRI reports. 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 2022.

Assessing Board Tenure	**Approach** We consider board renewal as an important component of overall board effectiveness, and a useful mechanism to enhance board diversity. In order to facilitate the board renewal process, we strongly encourage boards to consider the tenure of individual directors, as well as the range of tenures on the board, as part of the annual board assessment. Although we may consider the tenure of individual directors on the board, and the potential implication of longer tenure on their independence of management, we are also looking for a diverse board with a mix of experience—new directors with new perspectives, directors with a few years of experience, and longer-tenured directors with deep institutional knowledge.
	Proxy vote In 2022, we updated our Proxy Voting Guidelines to communicate that we will generally vote against the election of the chair of the nominating committee where more than one-third of the board has a tenure greater than 15 years. Our new guidelines focused on boards tilted toward directors with excessive lengths of tenure, as compared to market averages. Importantly, this does not necessitate the removal of longer-tenured directors, as these directors can often be the most effective due to their institutional knowledge. Instead, it encourages board refreshment in order to include new perspectives to complement the perspectives of longer-tenured, effective directors.
	Outcome Excessive average board tenure, as compared to market norms, without evidence of consistent board refreshment, is considered as part of our overall assessment of an issuer's corporate governance practices. As a result, we voted against the election of incumbent chairs of nominating committees at companies where we determined the average board tenure to be excessive. In 2022, we voted against 111 directors at least in part due to excessive average board tenure concerns. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g. gender diversity, board independence, etc.).

Racial equity audit votes at U.S. companies	**Approach** We believe that companies with strong diversity and inclusion policies and procedures will 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 policies and procedures may face reputational, operational, litigation, and other risks that may adversely impact their long-term value.
	Proxy vote Continuing with the trend we saw in 2021, a series of shareholder proposals were filed at large U.S. financial institutions requesting that the board oversee third-party racial equity audits. This past proxy voting season saw these requests expand to include large U.S. health care, fast food, and technology companies. Racial equity audits are intended to analyse potential adverse impacts of the company on visible minority stakeholders and communities. Importantly, they typically ask companies to undergo an independent assessment of these impacts, covering both how employees are treated, and the impacts the organization may have in the communities in which they operate. In analysing these proposals, RBC GAM generally deemed such racial equity audits material and necessary for companies that have experienced diversity-related controversies.
	Outcome Consistent with this approach, RBC GAM supported 16 out of 21 shareholder proposals in 2022 requesting reports on racial equity audits at companies where it was deemed that sufficient information was not already publicly available and/or fulfillment of the proposal would benefit shareholders. Six of these 21 racial equity audit proposals received majority support from shareholders, with one proposal withdrawn. An additional proposal was withdrawn prior to the meeting.[43] We continue to monitor the progress of these companies in reporting on racial equity and in managing their diversity and inclusion risks and mitigation practices.

43 Note that the *Overview of our voting record by issue* table captures all 22 proposals on ballots, incorporating withdrawn proposals.

Compensation-related voting at a Canadian financial institution	**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 ensure the long-term success of the company. But compensation should always 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 In 2021, a Canadian financial institution had a special arrangement for a newly-appointed CEO, which guaranteed them a minimum compensation amount beyond base salary and other routine perquisites. As a result of this arrangement, we determined there was a misalignment between pay and performance. RBC GAM engaged with the company and raised our concerns regarding executive compensation special arrangements and followed up with a letter communicating our views on the overall structure of the plan. In the letter, we advised the company that, in some cases, we may be supportive of entirely time-based compensation in the Long-Term Incentive Plan (LTIP). However, in such cases, we would expect long-term, time-vesting restricted-share units (RSUs) where the vesting period extends over five or more years, and additional stock holding requirements. In addition, we also encouraged the compensation committee to update the LTIP to incorporate long-term, performance-based targets. Therefore, based on our engagement, we ended up supporting the say-on-pay proposal in 2021 as the company noted that this minimum pay guarantee would not be in place moving forward. However, the company failed to receive majority support on the say-on-pay proposal at the 2021 annual meeting and we determined changes made to the plan in 2022 were minimal. In addition, the 2022 LTIP remained entirely time-based with a 3-year vesting period and continued to lack performance-based equity awards as a regular pay component. As a result of this structure, the CEO's pay increased significantly year-over-year.
	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 2022. We not only voted against the say-on-pay proposal, but also voted against the election of the Chair of the compensation committee. The say-on-pay proposal failed to receive majority shareholder support at the 2022 AGM of shareholders, while the Chair of the compensation committee received approximately 75% support.

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.](http://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 analyse 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

<table>
<tr><td rowspan="3">Voting right on converted bonds</td><td>Background
Several RBC GAM fixed income portfolios received common shares in an issuer to settle debt claims in bankruptcy court. As a result, the portfolios had the opportunity to vote as stockholders in 2022. Voting for fixed income portfolios is already limited but voting as a stockholder in fixed income portfolios only tends to occur for convertible bonds, or situations such as this one.

As a shareholder in the issuer, our RBC Global High Yield Fixed Income team, part of the RBC Global Fixed Income & Currencies team, voted in a manner it believed to be in the best interests of the portfolios.</td></tr>
<tr><td>Analysis
The issuer was subject to our Proxy Voting Guidelines, and the board had several characteristics worth further investigation:
▪ The Chair of the board was non-independent, and the company did not have a fully independent corporate governance committee and lead independent director
▪ Less than 30% of directors on the board were women
▪ The board lacked a formal nominating committee

Our CGRI and RBC Global High Yield Fixed Income team discussed the issuer's circumstances in more detail, and the investment team engaged directly with the issuer. The issuer was a small-cap company, and its stock was very illiquid and traded over-the-counter. In addition, one shareholder owned more than 30% of stock, and held a seat on the board.

As previously mentioned, the issuer underwent bankruptcy proceedings, and emerged from bankruptcy within the last two years. Since that time, the investment team was pleased with the issuer's ability to generate free cash flow, pay down debt, and buy back shares.

Engaging with the CFO directly, we flagged the corporate governance issues. The CFO was receptive to the feedback and did communicate that given its ongoing focus and recent emergence from bankruptcy, changes to the board could potentially be detrimental to shareholders.</td></tr>
<tr><td>Outcome
We were pleased with the opportunity to flag these corporate governance items to the CFO and were receptive to the feedback on the board and company's current focus especially as it navigates the challenging environment post-bankruptcy. In addition, as shareholders, the investment team has been pleased with the issuer's performance, including the role the board has played.

As a result, given the board's performance post-bankruptcy and the company's current circumstances, we determined it was in the best interests of the portfolios to support the board's election and continue to monitor the corporate governance items raised. In addition, we determined votes against key members of the board would not be beneficial to shareholders and by extension, our portfolios.</td></tr>
</table>

Due diligence on consent solicitation	**Background** Our Investment Grade Corporate Fixed Income team, part of the RBC Global Fixed Income & Currencies team, held bonds of a North American telecom operator. The issuer sought bondholders' consent with respect to special redemption rights of certain bonds outstanding.
	Analysis Reviewing the case, the investment team identified several governance risks for further consideration: ▪ The consent fee was only paid to investors who provided "consent". This was despite the need for only 50% + 1 votes in favour of the amendment that would change the covenant for all investors. In the investment team's view, the solicitation was contrary to best industry practices (i.e. consent fee usually is paid to all of those who voted, regardless of how they vote, and a successful consent would require 2/3 majority). ▪ The investment team believed investors were not given sufficient time to thoroughly evaluate options. Investors were given a seven day response time. Comparatively, a similar case in 2020 provided a 31-day window.
	Outcome As a result of the team's analysis, despite governance concerns raised, the team decided it was in the best interests of investors to provide consent. The team utilized its right as a bondholder to voice its reservations related to the governance issues identified above with the lead syndication banker. In addition, the credit analyst recommended a higher level of scrutiny related to ESG issues, particularly governance risks, for this issuer moving forward.
Impairment rights	**Background** Our approach to impairment rights is to analyse scenarios around event of default, cures, and associated step-in rights. In 2021, the PH&N Fixed Income team reviewed event of default and step-in rights for a particular light rail transit P3 project where the project company faced ongoing challenges in hitting milestones. The team negotiated with the issuer, the project proponent, and other lenders in order to find a settlement agreement that ultimately extended the substantial completion date and prevented a termination event.
	Update The project continued to face headwinds during 2022, and negotiations have continued into 2023. Throughout the process, the team has continued to re-evaluate the project and cashflows to understand its impairment rights under various scenarios.

RBC Global Asset Management is a leader in responsible investment. For more information about our approach, visit rbcgam.com/ri.

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