RBC Global Asset Management

Commitment to the UK Stewardship Code

RBC Global Asset Management | 2021

Contents

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 2021. 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 Stewardship Code Report for 2022. It covers the reporting period January 1, 2021, through December 31, 2021.

This report applies to RBC Global Asset Management (RBC GAM, "we", "our"), which includes the following affiliates: RBC Global Asset Management Inc. (RBC GAM Inc.), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited (RBC GAM-UK), RBC Global Asset Management (Asia) Limited, and BlueBay Asset Management LLP (BlueBay), which are separate, but affiliated subsidiaries of RBC. BlueBay will also publish its own UK Stewardship Code report for 2022 by April 30, 2022. Principle 2, outlined below, provides more information on the governance structure of RBC GAM and its affiliates.

In addition to reporting on our 2021 stewardship activities and outcomes, we have expanded on the following items relative to our prior report:

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This report has been reviewed and approved in its entirety by the RBC GAM Leadership Committee, which is RBC GAM's governing body. It includes the Head of Corporate Governance and Responsible Investment, the Chief Investment Officer, and the Chief Executive Officer, among others.

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 environmental, social, and governance (ESG) factors across our investment processes; 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 U.S. and in Europe, Middle East and Africa (EMEA) 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, the places where we operate, and the planet that we will leave to future generations.

Our approach to investment management

Personally invested	We believe that managing people's wealth is a privilege. Our commitment to investors is personal, and we take that duty seriously. 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 350 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, 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 owner 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 embedded 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.

RBC GAM believes 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 all 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

All investment teams integrate material ESG factors into their investment processes.

Active stewardship

We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors.

Client-driven solutions and reporting

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

ESG integration means that every investment team evaluates ESG factors as a part of its investment decision-making processes. Our ESG integration approach is investment-led, focuses on materiality, promotes transparency and accountability, and aims for continuous improvement and innovation. Each year, we document the ESG integration tools and processes used by each investment team and evaluate their alignment with RBC GAM's overall beliefs and strategy. As part of this process, gaps or areas for improvement are identified in order to enhance each team's ESG integration approach. This review and continuous improvement process helps ensure that the integration of ESG factors enables effective stewardship and ultimately adds value to our portfolios and their clients. See Principle 7 for more on ESG Integration.

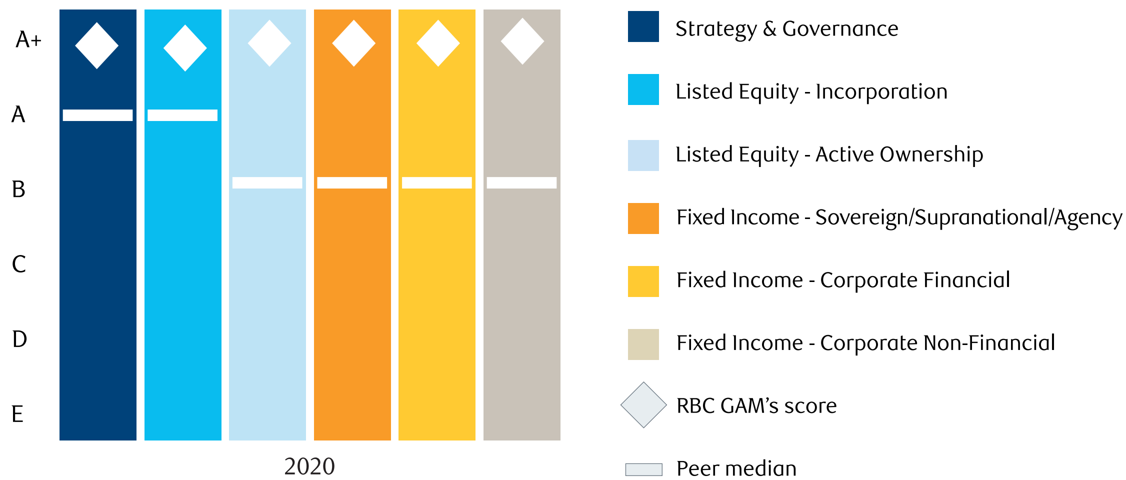
Active stewardship means that we convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors. As stewards of our clients' assets, we are committed to ensuring that the issuers in which we invest act in alignment with 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. We also conduct all our proxy voting independently, in accordance with our 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. Finally, we use engagement to further understand how issuers are addressing their material ESG risks and opportunities. 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 is 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 2021, we initiated an update to Our Approach to Responsible Investment to include BlueBay and to better represent RBC GAM's approach as a whole. We also updated Our Approach to Climate Change, recognizing the material risks and opportunities that climate change may present to the investments we manage, and incorporated Our Net-Zero Ambition. Our Net-Zero Ambition was published in 2021, and updated versions of Our Approach to Responsible Investment and Our Approach to Climate Change were published in 2022. See Principles 5 and 6 for more on our responsible investment policies and reports, and Principle 4 for more on our climate-related activities.

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 is core to how we do business, and every year, as a signatory to the United Nations Principles of Responsible Investment (PRI), we submit and publish a PRI Transparency Report. The PRI assesses all signatories' alignment with the PRI's six Principles. In our 2020 Assessment Report, we were encouraged to receive the highest possible scores – an A+ in each of the six modules.[1]



[1]As part of the paid annual membership services, the 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 performance band (from A+ down to E). 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 PRI is available upon request. At the time of writing, 2020 is the most recent assessed reporting year, as 2021 submission assessments were delayed and are expected to be released in 2022. Please visit www.rbcgam.com/cgri for any future updates regarding the 2021 PRI assessment.

Principle 2

Signatories' governance, resources and incentives support stewardship.

Our governance structure

RBC Global Asset Management (RBC GAM) is a global asset manager, comprised of the following regional affiliated companies: RBC Global Asset Management Inc., RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited, and BlueBay Asset Management LLP.

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 all follow the strategies, policies, and risk management processes established for RBC GAM. Specific roles with global responsibilities include:

- The Chief Executive Officer (CEO) of RBC GAM oversees the performance of all RBC GAM affiliates. The CEOs of all affiliates, the Chief Investment Officer (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 Corporate Governance and Responsible Investment (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.

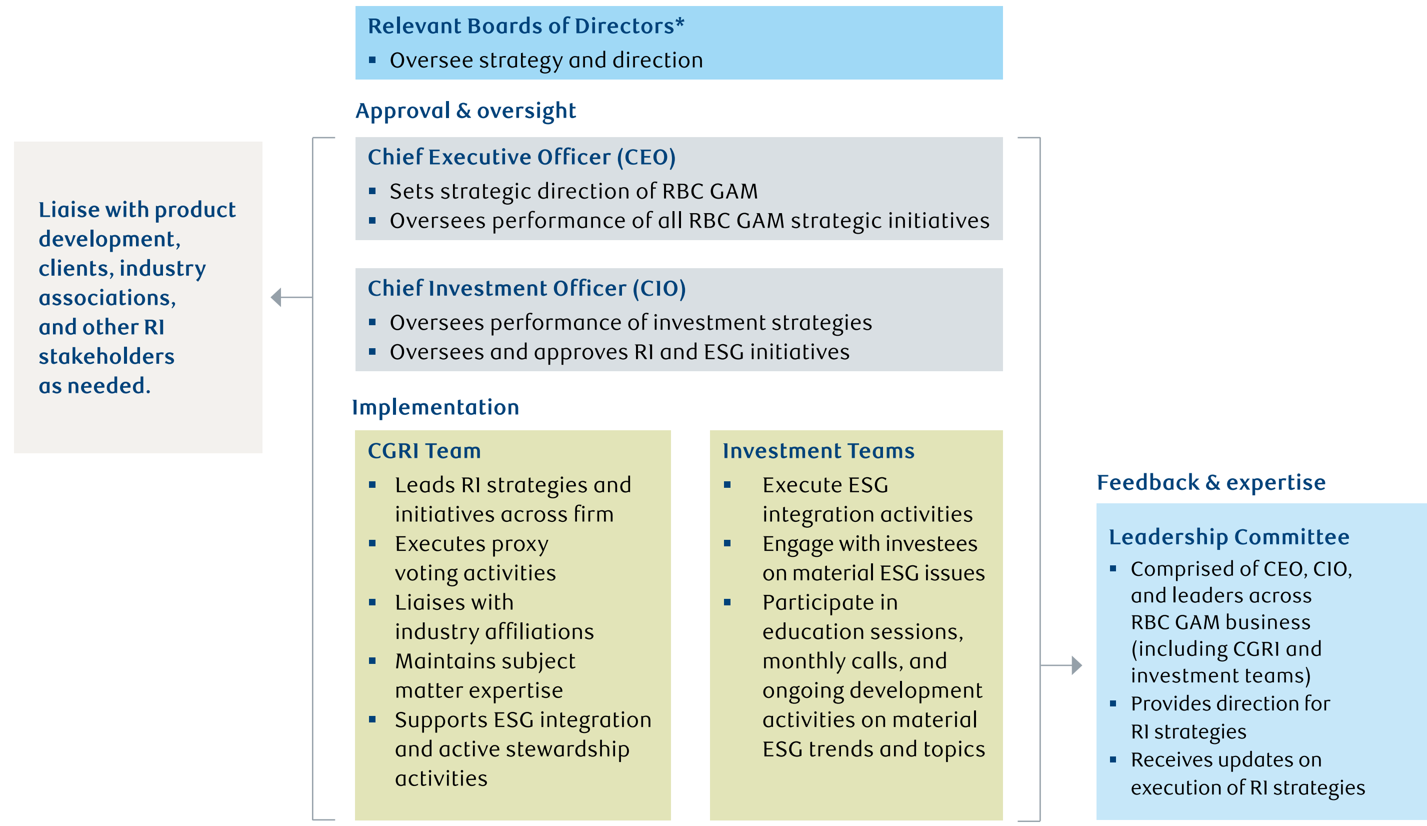
RBC GAM also has an established Leadership Committee, whose mandate is to primarily focus on strategic matters that either significantly affect multiple businesses of RBC GAM and/or matters that may be material to RBC GAM's overall business success. The RBC GAM Leadership Committee has oversight and governance accountabilities that include establishing the total firm's risk profile and risk appetite and partnering with related RBC governance bodies. Membership includes the CEO, CIO, Head of CGRI, and the heads of the global investment teams.

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.

Governance of responsible investment at RBC GAM

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

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



*RBC 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.

The Boards of Directors (Boards) of RBC GAM oversee the overall performance of their firms, which includes strategic priorities related to responsible investment. The Boards delegate responsibility for implementation of strategic priorities to the RBC GAM Leadership Committee, which is comprised of the CEO, CIO, and leaders across the CGRI team and the fixed income and equities investment teams, among others. The CEO reviews and reports to the Boards on all strategic priorities, including responsible investment, on an annual basis.

The RBC GAM Leadership Committee has identified the advancement of responsible investment, inclusive of climate change, as a strategic objective for the organization. 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 employees' annual variable compensation amount.

Specific executive management oversight responsibilities include:

- The CEO oversees and manages the firm's activities and strategies and is responsible for approving RBC GAM's investment priorities, including our approach to responsible investment and approach to climate change.
- The CIO is responsible for overseeing and managing all investment activities and is the ultimate investment risk owner responsible for responsible investment and climate change.
- The heads of CGRI and investment teams are responsible for the implementation of our responsible investment activities and strategic priorities. The Head of CGRI reports to the RBC GAM Leadership Committee quarterly on strategic responsible investment initiatives. All investment teams and the CGRI team report directly to the CIO.
- Heads of institutional and retail businesses oversee product development with input from the CGRI team and oversight by the CIO and CEO.

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 nine 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 (RI) activities and stewardship across the firm. This includes:

- Developing cohesive RI strategies and policies for RBC GAM Leadership Committee approval, including Our Approach to Responsible Investment, Our Approach to Climate Change, Our Net-Zero Ambition, and Proxy Voting Guidelines. (Principles 1, 4, 5 and 12)
- Supporting the ESG integration of RBC GAM's investment teams, including by providing 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 produces quarterly Climate Dashboards on more than 100 public equity and fixed income portfolios in collaboration with the Investment Risk team, and conducts the annual review of ESG integration processes across investment teams, supporting 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 RBC GAM Proxy Voting Guidelines. This function is centralized, as we believe that the principles we apply in proxy voting are in the best interests of all shareholders and clients invested in the portfolio companies. RBC GAM generally votes in the same way across all internally-managed funds, in accordance with our custom RBC GAM Proxy Voting Guidelines.[2] The CGRI team reviews each vote individually and seeks input from investment teams on specific issues to ensure voting reflects the best interests of our clients in both systemic and company-specific matters. (Principles 8 and 12)
- Leading collaborative initiatives on ESG-related issues with like-minded investors and national or international organizations/coalitions, where appropriate. The team also supports and participates in direct engagements by liaising with investee companies and investment teams, where appropriate. (Principles 4, 9, and 10)
- Maintaining a high level of 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 regularly publishes and develops ESG guidance, research, and tools for investment teams. Research topics in 2021 focused on climate-related topics including: carbon markets, biodiversity, net-zero emissions, the energy transition, the COP26 climate conference, and the role of active stewardship versus divestment. In addition, the CGRI team continued to host its Climate Change Education Series, in which external experts 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.

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 160 portfolio managers with an average of 20 years of industry experience, supported by 100 analysts with an average of 13 years of industry experience. Of these, 46% are Chartered Financial Analysts (CFAs), in addition to those that are working towards their CFA designation.[3] All of RBC GAM's investment teams integrate ESG factors into their investment approach.

Investment teams regularly participate in ESG-specific education on topics such as climate-related risks and opportunities, executive compensation, Indigenous rights, and global supply chain risk management. Each investment team has an ESG Champion that is their lead on ESG-related issues. The ESG Champions from across teams meet with portfolio managers and the CGRI team regularly to share knowledge and practices, discuss ESG trends, and identify opportunities for improvement and enhancement. Topics discussed at the ESG Champion meetings in 2021 included executive compensation,

[2] 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.
[3] As at Dec 31, 2021.

UN Guiding Principles, measurement of portfolio net-zero emissions, regulatory and market developments, ESG data and internal dashboards, among others.

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. This ensures that stewardship activities add value to and complement the unique investment approach of each team. 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 in a way that adds value to their unique strategies, including by evaluating the material ESG risks and opportunities embedded within each investment, integrating internal ESG and climate risk data into their investment processes, and working to build their knowledge of material ESG issues.
- Engaging with investee issuers on material ESG issues, where appropriate, and tracking the frequency and outcomes of these engagements on a best-efforts basis.
- Where appropriate, assisting with client reporting on RI activities, including updates to their ESG integration processes, engagement case studies, and team insights on emerging ESG topics and trends within their specific investment universes.

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:

- 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 RBC GAM Proxy Voting Guidelines and case-specific analysis – we retain the services of ISS to execute our proxy votes.

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 to 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 2021, our senior leadership team focused on developing a greater level of operational integration between RBC GAM and BlueBay. BlueBay's most recent UK Stewardship Code report, released simultaneously with RBC GAM's can be found on the BlueBay website.

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 may disclose its conflicts of interest policies and practices to institutional clients in accordance with the securities laws and regulations in the jurisdictions in which it operates.

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.

As part of our conflicts of interest policies, we maintain a "Conflicts of Interest Register." 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 communicated its conclusion to the affected parties.

RBC GAM also has regional, independent committees that oversee retail mutual funds. For example, the *Independent Review Committee (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 the RBC GAM Proxy Voting Policy and Proxy Voting Guidelines.

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 recommendation made by our service provider based on the RBC GAM Proxy Voting Guidelines. This may occur in situations where we believe the guidelines have been misinterpreted or misapplied, or where the unique circumstances of the issuer warrants 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. We generally vote all corporate action items, including those relating to mergers and acquisitions, in consultation with our investment teams. 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 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 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 RBC GAM's 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 is the only team with access to RBC GAM's proxy voting platform. The Proxy Voting Committee approves the Guidelines, as well as any exceptional votes not covered by or that deviate from the Guidelines. The CIO sits on the Proxy Voting Committee and is responsible for oversight of proxy voting at RBC GAM. 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**

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 Canadian funds 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 2021 is available in our quarterly 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.[4] 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 2021 is available in our quarterly 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 requests that each 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

[4] 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 considered 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 conflict 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 (MNPI). 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 MNPI 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 MNPI. 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 MNPI, and an escalation procedure exists for addressing the conflict. The policy also provides 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 relevant 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 all of our investments across all mandates. These risks are monitored by the Investment Risk Committee, which includes our Chief Risk Officer (CRO) and CIO, and includes both market-wide risks, such as geopolitical issues and currency rates, and certain systemic risks like climate change.

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

1. 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. They 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.
2. 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 and proxy voting, to convey our views and influence outcomes, where appropriate.

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. Investment teams integrate material factors into their portfolio management decisions in a manner that complements their unique investment approaches and mandates.

For example, investment teams assess and monitor climate-related risks and opportunities on an ongoing basis through the RBC GAM climate change dashboard, which is a risk-monitoring tool provided quarterly for over 100 core equity and fixed income strategies. The climate change dashboard includes a suite of climate metrics, detailed breakdowns by sector and top holdings, and value spreads. On an annual basis, climate-related risks and opportunities are assessed at an asset class and geography level. This analysis is reviewed by RBC GAM's CIO and the RBC GAM Leadership Committee, and is disclosed in RBC GAM's annual TCFD report. 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 a core pillar of our approach to responsible investment. We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors. We 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.

Fair & efficient capital markets

We participate in initiatives that 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 a critical 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

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)
- International Corporate Governance Network (ICGN)
- Investor Stewardship Group (ISG)
- Investment Association (IA)
- Responsible Investment Association (RIA)
- Standards Board for Alternative Investments (SBAI)
- Sustainability Accounting Standards Board (SASB)
- U.N. Principles for Responsible Investment (PRI)

2021 Highlights

- Met with the regulator and commented on Canadian Securities Administrators' proposed guidance on ESG-related investment fund disclosures.
- Served on the CCGG Public Policy Committee, CCGG Environmental and Social Committee, ICGN Global Governance Committee, PRI Policy Committee, RIA Board of Directors, and SASB Investor Advisory Group. We provide comments on various regulatory initiatives through these affiliations.
- Provided input on two ICGN comment letters: (1) U.S. Securities and Exchange Commission to enhance climate-related financial disclosures; (2) U.K. Department for Business, Energy and Industrial Strategy consultation to restore trust in audit and corporate governance.
- The PH&N Fixed Income team met with an advisor to the Government of Canada to share views on the design of Canada's green bond framework, including criteria aligning government commitments with company expectations, and issuers' overall environmental and social impact.
- BlueBay participated in a Fixed Income Stewardship Working Group with the IA to develop guidance on how fixed income stewardship can be improved.
- BlueBay participated in the PRI Securitised Products Advisory Committee and provided input into its state of the market report.

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, 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 supports the global goal of achieving net-zero emissions by 2050 or sooner. We also support 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. 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. Our expectations include:

- We 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.
- We recommend that companies disclose in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- We expect all companies in which we are invested to work towards identifying and publicly disclosing material financial and strategic impacts resulting from the transition to a net-zero economy.
- We expect all companies in which we are invested to establish credible targets and action plans aligned to the global ambition of 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.

We take a thoughtful approach to proxy voting and evaluate climate-related shareholder proposals on a case-by-case basis. When making our vote decision, we 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; and
- The company's existing climate-related targets, commitments, and initiatives.

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

Engagement

We are committed to actively engaging with issuers for whom 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 all issuers in which we are invested, where climate represents a financially material risk, to:

- identify and publicly disclose material financial and strategic impacts resulting from the transition to a net-zero economy;
- establish targets and action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner; and
- demonstrate progress in meeting their net-zero emissions commitments.

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

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)
- Responsible Investment Association (RIA)
- Task Force on Climate-related Financial Disclosures (TCFD)

2021 Highlights

- Supported 13/31 proposals requesting a report on climate change or environmental policies; 3/5 proposals requesting non-binding advisory vote on Climate Action Plan; and 4/10 proposals requesting GHG emissions disclosure. Our proxy voting records are available on our regional websites in accordance with applicable regulations.
- Became a founding member of the collaborative engagement initiative Climate Engagement Canada (CEC). CEC aims to drive dialogue between the financial community and Canadian corporations to promote a just transition to a net-zero economy.
- Became a founding signatory to the Canadian Investor Statement on Climate Change (organised by the RIA), which demonstrates the collective ambition of Canadian investors to recognize the need to accelerate the transition towards a net-zero economy
- Through Climate Action 100+, engaged with senior management at investee companies to discuss progress in advancing strategies and targets to reduce GHG emissions and provide climate-related disclosures. One case example provided in Principle 10.
- Through the PRI, BlueBay joined the Sustainable Commodities Practitioners' Group, a forum for building investors' awareness and sharing current practices in responding to deforestation linked to the soft commodities value chain.
- Through the IPDD, BlueBay is a co-lead in engagements with Brazilian and Indonesian officials and stakeholders on the issue of halting deforestation in these regions. Case example provided in Principle 10.

Corporate governance

While any ESG factor may be material to an issuer, depending on its sector and geography, 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, and takeover protection and transactions.

Engagement

Our investment teams engage directly with the companies in which they are invested on material corporate governance issues, either as part of investment initiation, ongoing engagement, or escalation from proxy voting activities. Common principles we promote across all 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:

- Canadian Coalition for Good Governance (CCGG)
- Council of Institutional Investors (CII)
- International Corporate Governance Network (ICGN)
- Investor Stewardship Group (ISG)
- Responsible Investment Association (RIA)

2021 Highlights

- Withheld votes for 16.7% of all directors up for election due to governance concerns, voted against 13.5% of executive compensation ballots, and supported 97% of shareholder proposals requiring an independent board chairman in 2021. More voting statistics are included in Principle 12.
- As a participant of CCGG's collective engagement program, provided input to six collective engagements on governance topics. CCGG completed 31 collective engagements.
- Served on the ICGN Global Governance Committee, the ISG board, and the RIA Board of Directors, among others.
- Examples of our investment teams' direct engagements with companies on corporate governance, and the outcomes of each, 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 explicitly addressed in our Proxy Voting Guidelines, through direct engagement by investment teams, and through collaborative engagement as part of industry initiatives such as the 30% Club Canada. Companies 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 companies in which we invest. With regards to diversity and inclusion:

- we generally support proposals that call for enhanced disclosure or reporting requirements regarding board diversity policies and procedures; and
- we generally support proposals to adopt non-binding guidelines for diverse representation on the board of directors for issuing companies.

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. 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 (30% Club Canada)
- Responsible Investment Association (RIA)

2021 Highlights

- Increased our proxy voting threshold requirement for representation of women on boards of directors from 25% to 30% in our Proxy Voting Guidelines in 2021.
- Updated our Proxy Voting Guidelines for 2022 to encourage companies to publicly disclose information on the diversity of their board of directors, executive and/or senior management teams, and wider workforce. We believe that more consistent disclosure on racial and ethnic diversity practices in particular would be beneficial to investors.
- Through the Portfolio Management Association of Canada (PMAC), we provided comments to the CFA Institute on their consultation regarding the development of a voluntary diversity, equity, and inclusion (DEI) code.
- For investee companies in which we held a material position, we engaged directly to explain our proxy voting policy and to encourage them to increase their board gender diversity ahead of the next annual general meeting of shareholders.
- 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

As long-term investors and stewards of our clients' assets, we participate in industry initiatives that will increase transparency, protect investors, and foster fair and efficient capital markets. Highlights of our participation in 2021 are as follows:

Initiative	Description and key commitments	Primary theme
30% Club Canadian Investor Group (30% Club Canada)	RBC GAM is signatory to the 30% Club Canada, a coalition of Canada's largest institutional investors that aims to achieve a minimum of 30% women on boards and in senior management of S&P/TSX Composite Index companies by 2022. The 30% Club Canada has instigated numerous engagements, for which RBC GAM provides inputs and feedback. In pursuit of the intentions of the 30% Club Canada, we updated our Proxy Voting Guidelines to convey our continued commitment to increasing gender diversity on the boards of our investee companies. In 2021, we increased our threshold requirement for the representation of women on boards of directors to 30% (from 25% in 2020) in all markets where our Proxy Voting Guidelines apply. This resulted in numerous voting and engagement outcomes with investee companies in 2021, which are explained in Principle 11.	Diversity & inclusion
Alternative Investment Management Association (AIMA)	BlueBay is 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. In 2021, BlueBay participated in AIMA's industry consultations to provide feedback concerning various EU and UK ESG regulations. It also participated in meetings as members of the Global Responsible Investment Committee.	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 2021, 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 2021. In total, CCGG completed 31 collective engagements this year. Finally, through CCGG, we provided comments on numerous regulatory submissions to Canadian and U.S. regulators. In 2021, CCGG filed ten comment letters with regulators that we reviewed and, where appropriate, provided input.	Fair & efficient capital markets Corporate governance
CDP	RBC GAM and BlueBay 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 2021, BlueBay participated in the annual environmental information request with corporates, and joined the campaign urging companies to adopt science-based targets ahead of The U.N. Climate Change Conference 2021, COP26.	Climate change
Climate Action 100+	In 2020, RBC GAM and BlueBay 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 2021, RBC GAM participated in four Climate Action 100+ engagements, and BlueBay continued to co-lead an engagement with an emerging markets energy issuer. 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

Initiative	Description and key commitments	Primary theme
Climate Engagement Canada (CEC)	In 2021, RBC GAM 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, akin to Climate Action 100+. A member of RBC GAM's CGRI team is on the Technical Committee of the CEC. We look forward to participating in inaugural collaborative engagements of the CEC in 2022.	Climate change
Emerging Markets Investor Alliance (EMIA)	BlueBay is a member of the EMIA, which aims to enable institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. Over the course of 2021, BlueBay 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
Farm Animal Investment Risk & Return (FAIRR)	BlueBay is a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production. In 2021, BlueBay signed a public investor statement directed at governments on sustainable agriculture and climate change practices. The team also signed up to a new initiative, engaging with the global meat food producer industry on labor conditions.	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
Global Impact Investing Network (GIIN)	RBC GAM is a member of the GIIN, the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. In 2021, BlueBay also became a member of GIIN.	Fair & efficient capital markets Impact management
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. In 2021, a member of the CGRI team sat on the ICGN 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. In 2021, a member of the CGRI team continued to sit on the ISG board of directors.	Fair & efficient capital markets Corporate governance
Investment Association (IA)	BlueBay is 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. During the year, BlueBay also participated in IA's consultation with their members about EU and UK ESG-related regulations.	Fair & efficient capital markets

Initiative	Description and key commitments	Primary theme
Investors Policy Dialogue on Deforestation (IPDD)	BlueBay co-chairs and RBC GAM is a supporting investor of the IPDD in Brazil. The IPDD initiative aims to coordinate a public policy dialogue with authorities and monitor developments to assess exposure to financial risks arising from deforestation. In 2021, BlueBay continued to support the IPDD in securing support from investors, serving as further confirmation of the recognition of the importance of its activities. As part of this initiative, BlueBay also continued to engage with Brazilian and international stakeholders on the issue of halting deforestation.	**Nature-related risks**
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 2021, 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 3 policy submissions in 2021. 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)	BlueBay is 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 2021, 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**
Sustainability Accounting Standards Board (SASB)	RBC GAM is a member of the SASB Alliance, which aims to help businesses around the world identify, manage, and report on the sustainability topics that matter most to their investors. In 2021, a member of the CGRI team continued to sit on the Investor Advisory Group.	**Fair & efficient capital markets**
Task Force for Climate-Related Financial Disclosures (TCFD)	RBC GAM and BlueBay 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 2021, RBC GAM published its first TCFD report. RBC GAM's second annual TCFD report, which was published in 2022 and covers calendar year 2021, is available here. Our TCFD report includes disclosures on our firm's policies and processes for climate-related governance, strategy, and risk management, as well as portfolio metrics related to climate change risks and opportunities.	**Climate change**
UN Principles for Responsible Investment (PRI)	RBC GAM and BlueBay 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 for Responsible Investment into practice and believe that they are aligned with our existing approach to responsible investment. In 2021, 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.	**Fair & efficient capital markets**

A full list of our collaborative initiatives can be found at rbcgam.com/cgri. An extract of the collaborative engagements we conducted as part of these initiatives can be found under Principle 10. BlueBay's 2021 UK Stewardship Code report includes more information on the collaborative initiatives that BlueBay was directly involved in.

Operational initiatives for addressing systemic risks

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

Examples of commitments and actions:

Diversity & Inclusion

The RBC GAM Diversity & Inclusion Committee, a sub-committee of the RBC GAM Leadership Committee, leads our diversity and inclusion efforts across the firm. This sub-committee consists of executives from across the organization, including the CEO and 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 2021, the number of women directors at RBC Global Asset Management Inc. was 29%. The number of RBC GAM investment professionals who identified as women was 30.1% as at Dec 26, 2021.

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 2021 was 94%. For more information on RBC's diversity and inclusion efforts, please see its Diversity and Inclusion Report 2021.

Climate Change

RBC GAM is the asset management division of Royal Bank of Canada (RBC). In 2017, RBC became carbon neutral and committed to a goal of net-zero carbon emissions in its global operations annually, which includes RBC GAM. The performance, goals, and reporting of operational GHG emissions is established as part of the climate change program of RBC.[5] This is accomplished through energy and emissions reduction programs in the RBC property network and its information technology infrastructure, by procuring renewable energy through a power purchase agreement, and by sourcing renewable energy credits (REC) and high-quality carbon offsets to account for emissions RBC cannot eliminate. RBC aims to be less reliant on climate offsets each year. To this end, RBC has set two key goals that drive the net-zero operations strategy: reduce absolute GHG emissions by 70% with a baseline year of 2018, and an increased sourcing of electricity sourced from renewable and non-emitting sources to 100%, both by 2025.

The Head of CGRI sits on the RBC Climate Steering Committee, which provides coordination on climate strategy and its implementation across RBC.

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 TCFD 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 RBC GAM 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. In 2021, we hosted internal knowledge-building sessions on human rights related issues (e.g., Indigenous rights), and made available guidance to investment teams on due diligence and engagement related to human rights issues.

[5] See RBC Climate Blueprint

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.[6] 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 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 approved by the CIO. In 2021, we initiated an update to Our Approach to Responsible Investment to include BlueBay in the scope of the policy. The updated policy was published in March 2022 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 approved by the CIO. In 2021, we initiated an update to Our Approach to Climate Change to include the commitments we made in our stand-alone document, Our Net-Zero Ambition. The updated policy was published in March 2022 and is available here.	**Internal audit**

[6] As a separate entity, BlueBay may have separate policies, as described in its UK Stewardship Code report.

Policy	Description and updates	Level of assurance
Proxy Voting Policy	RBC GAM's regional proxy voting policies specify the internal processes that govern RBC GAM's proxy voting activities across all regions in which we operate. The CGRI team proposes updates to the proxy voting policies only when there is a change in the internal processes, governance, or service providers involved in proxy voting. Updates are reviewed by the regional compliance teams, the appropriate independent review body (e.g., the IRC in Canada), and approved by the CIO.	**External audit**
Proxy Voting Guidelines	The Proxy Voting Guidelines specify our policy for how RBC GAM will 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. 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 approved by the CIO. In 2021, the Proxy Voting Guidelines were updated to include a temporary guideline recommending that the compensation committee of boards of directors provide robust disclosure on the compensation decisions made as a result of the COVID-19 pandemic, the rationale behind those decisions, the level of discretion used, and the approach that would be taken for future compensation plans. We also increased our threshold requirement for the representation of women on boards of directors from 25% to 30% in all markets where our Guidelines apply. For more information, please see our 2021 Semi-Annual CGRI Report.	**Internal audit**
Reputation Risk Reporting Policy	The Reputation Risk Reporting Policy specifies instances where an investment in a particular government or corporate security, or exposure to a particular industry as a result of an investment, raises reputation risk issues for RBC GAM and its clients. Among other risk factors, it includes restrictions related to: ▪ **Economic Sanctions:** Where there are full economic sanctions that prohibit any financial dealings with a target state, including the purchase of any debt from the government of the target state or investment in entities operating under the authority of the target state, RBC GAM portfolio managers shall not invest in securities that fall within the sanctions. ▪ **Cluster Munitions and Anti-Personnel Land Mines:** When we control the investment policy of a fund, we will not knowingly invest in companies whose business activities would contravene the prohibitions contained in the Anti-Personnel Landmines Convention or the Convention on Cluster Munitions. RBC GAM's Global Compliance team maintains the Reputation Risk Reporting Policy and provides up-to-date information on economic sanctions. The Investment Policy team ensures that the list of issuers captured by the Cluster Munitions and Anti-Personnel Land Mines policy is updated and that no investment team has exposure to those issuers. Verification of adherence to the policy is conducted through periodic holdings audits and managed through technology-based tools. Namely, trading restrictions under this policy are directly incorporated in the trading platform that investment teams use. Our trading platform raises a flag and does not allow trading in restricted issuers. Ultimate approval for these policies is held by the independent oversight authorities of each region in which we operate – for example, the IRC in Canada.	**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**

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 each investment team. 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 assesses results annually.
- Our Investment Policy team conducts periodic audits on all investment teams' holdings to verify if investment restrictions included in the Reputation Risk Policy – including those related to economic sanctions and cluster munitions and anti-personnel land mines – are being consistently and correctly applied.
- Our Global Compliance teams provide training, regular required certifications, and other tools to employees to 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 the proxy voting policy.

Finally, we may seek external audit on specific responsible investment and stewardship policies as appropriate. Currently, the Proxy Voting Policy 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 2021, we also launched our first TCFD report and Our Net-Zero Ambition.

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.

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, all 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 all 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.

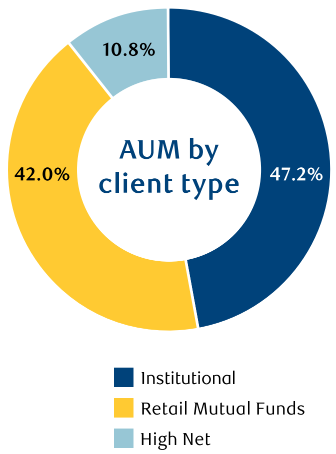
Principle 6

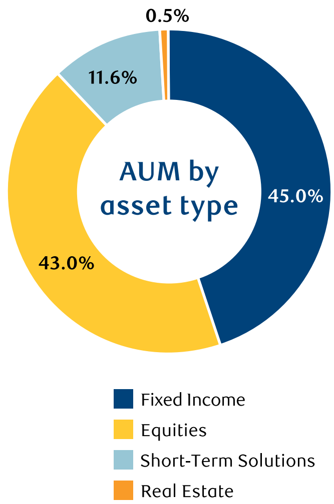
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

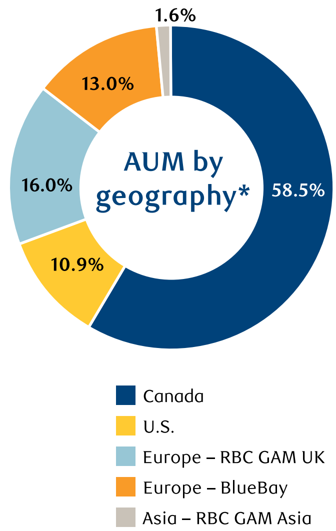
Our assets under management

The RBC GAM group of companies manage approximately £359.6 billion in assets under management (AUM) worldwide as at December 31, 2021. Our global investment teams are active across all 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:







* 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.

Serving retail clients

Our client base is divided between retail (53%) and institutional (47%) clients. More than 99% of our retail 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 retail clients 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 (IIFC) and Responsible Investment Association (RIA).

RBC GAM takes our commitment to clients seriously. We provide comprehensive reporting, education, and communications with our network of financial advisors and our retail 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

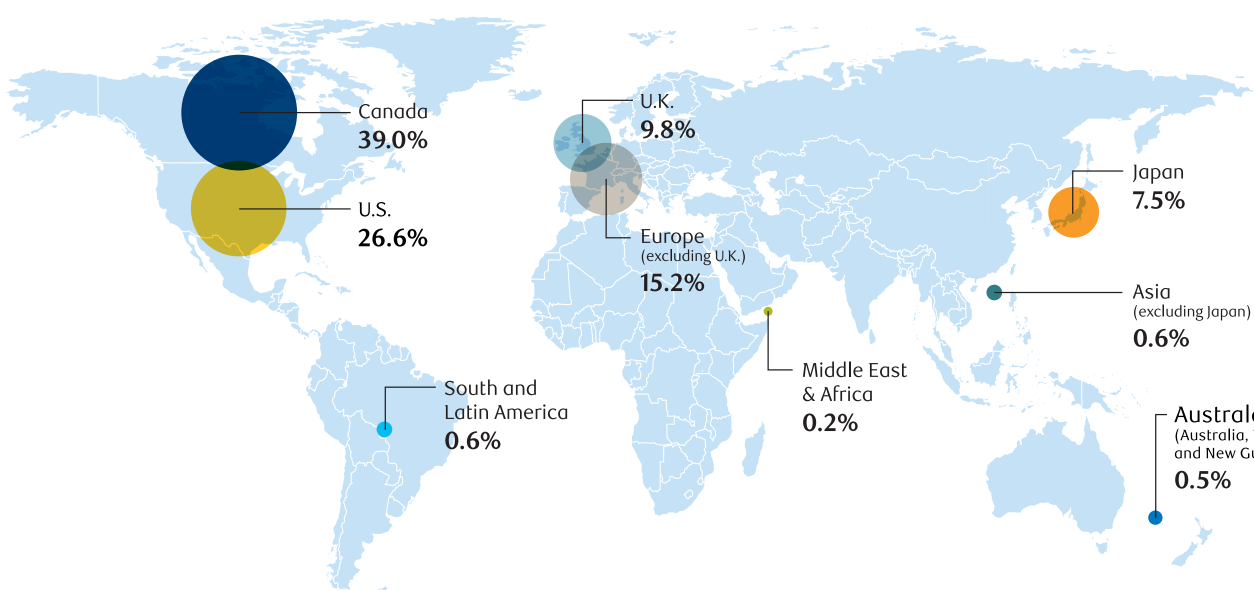
RBC GAM has a long history of serving institutional clients, which make up 47% (£169 billion) of RBC GAM's AUM. Our institutional client base is regionally diverse, with 39% in Canada, 26.6% in the U.S., 9.8% in the U.K., and 24.6% from other regions (see diagram below).

Institutional clients establish 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. Our institutional portfolio managers work with clients to understand their investment views and objectives, which are then incorporated into their Investment Policy Statements (IPS). This includes gathering information regarding clients' investment risk appetite, time horizon, return requirements, and other parameters specific to responsible investment and active stewardship. The IPS 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 IPS directly reflects each client's investment goals and may include specific requests from clients related to their preferred approach to responsible investment. While 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, 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 IPS, and in the manner in which the mandate is managed.

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 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, and the RBC Emerging Markets Equity and RBC Asian Equity teams both 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.
	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. In 2021, we published Our Net-Zero Ambition, which confirms our support for the global goal of achieving net-zero emissions by 2050 or sooner, and describes actions we are taking to support that goal.
	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 quarterly 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 the recommendations of the Task-Force for Climate-Related Financial Disclosures (TCFD) annually. These reports are available on our website.
	ESG insights We publish ESG insight articles on a variety of ESG-related topics throughout the year. This has included topics such as: board gender diversity, climate change, supply chain risk management, and more. ESG insight articles are publicly available on our website.
	Annual 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 2021, this included over 800 survey participants from around the world, including the U.S., Canada, Europe, and Asia.

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., retail 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 retail 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, 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 2021:

Addressing net-zero emissions commitments	In 2021, there was an increase in questions from retail and institutional clients on climate change and the net-zero emissions commitments made by governments and corporates. To address these, RBC GAM: ▪ Published an ESG insight article, An investor's guide to net-zero 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; ▪ Published Our Net-Zero Ambition, which confirms our support for the global goal of achieving net-zero emissions by 2050 or sooner, and actions we are taking to support that goal; ▪ Undertook new analysis of RBC GAM's portfolios' alignment to net-zero, released publicly as part of our TCFD report in 2022. This includes a breakdown of our AUM invested in issuers with Paris-aligned or net-zero targets, the temperature alignment of RBC GAM portfolios and benchmarks, and analysis of the potential financial impact of multiple climate scenarios, including a net-zero by 2050 scenario, on RBC GAM's portfolios and benchmarks.
Integrating expanded ESG-related datasets to improve our integration and reporting capabilities	With rising client requests for ESG-related disclosures, such as TCFD disclosures, RBC GAM has continued to integrate new and expanded vendor datasets into our internal databases and investment processes. For example, as datasets related to climate risks and opportunities continue to expand, we have been building out our internal data infrastructure to be able to integrate this data into internal systems, and ultimately investment teams' processes. We have also used this data to expand the types of metrics we disclose in our climate-related financial disclosures. Released in 2022, our latest TCFD report includes new climate scenario analysis, implied temperature rise, and other metrics that we were able to integrate into our systems in 2021. 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.

Expanding sustainable investment products to meet client demand	Through our research in the Canadian retail market, we identified a need from clients seeking to gain index exposure through exchange-traded funds (ETFs), while maintaining a sustainability lens on their investments. Therefore, in 2019, as part of the RBC GAM and BlackRock Asset Management Limited (BlackRock) strategic alliance, RBC iShares launched a suite of six ESG Aware ETFs. In 2020, the product offering was expanded with an additional seven ESG Advanced and ESG ETF Portfolios. In 2021, with the continued positive client feedback and uptake on the ETFs, RBC GAM and BlackRock expanded the offering by launching a total of five new ETFs under the same sustainable investment framework. With the launch of the first six ETFs in 2019, these ETFs were the first of their kind in Canada, offering investors broad-based ESG solutions and the ability to build diversified, low-cost sustainable portfolios with unprecedented simplicity.

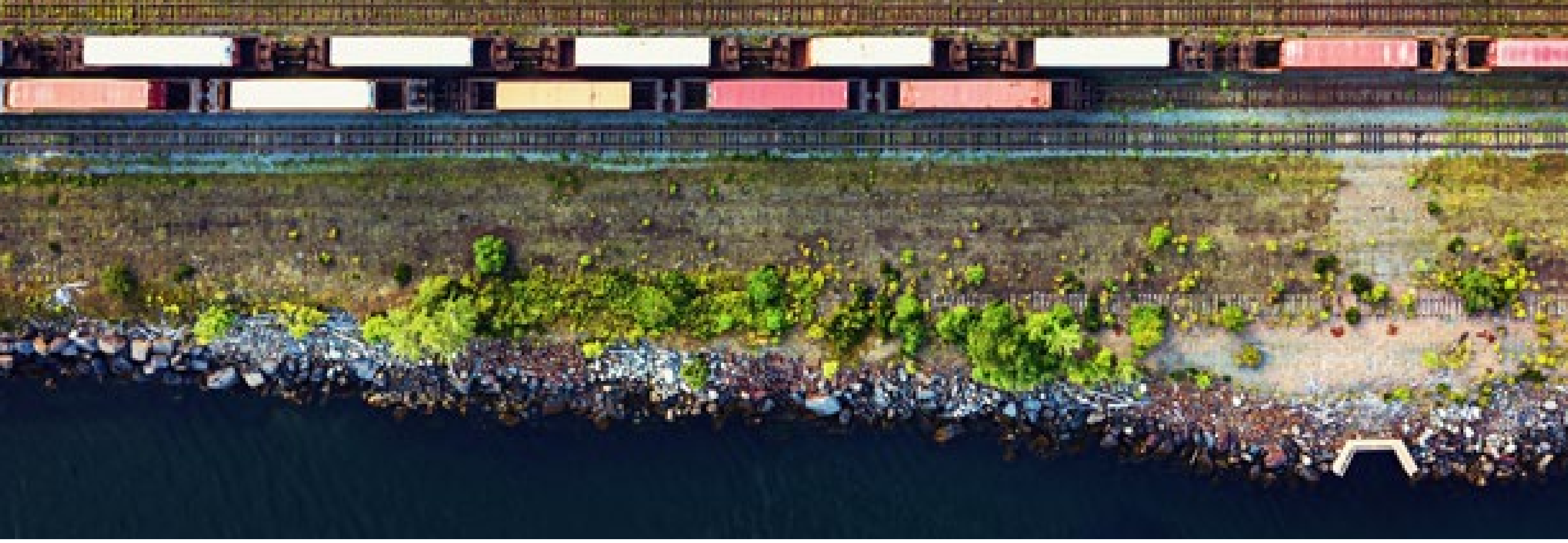
Measuring success

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 retail 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, every investment team evaluates material ESG factors as a part of their investment decision-making process. 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.

Each team has its own process for integrating ESG factors and for determining materiality, drawing from tools like the Sustainability Accounting Standards Board (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 other 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 reputation among the investor community. Governance factors tend to be most material to the creditworthiness of fixed income issuers, including factors like board structure and management quality.
- **Sovereign fixed income**: Prioritize ESG factors that could impact the sovereign 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 & 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.

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 tend to be less material for asset classes like money markets, asset-backed securities, and cash, while they may be more material for the asset classes mentioned above.

While all ESG factors 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; they pose less risk for equity investors due to proper alignment of management and shareholder interests; they are more likely to issue fixed income instruments with higher credit quality and lower credit risk; and they are more likely to effectively manage the issuer's exposure to environmental and social factors.

Additionally, we recognize that the impacts of climate change are systemic, unprecedented, and already apparent. While 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 is vital that we properly 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 interest of our clients and in line with their goals and expectations. In executing on our commitment to integrate relevant ESG factors into our investment processes, we apply several overarching principles. Our approach to ESG integration:

- **is investment-led**
  This means that our investment teams tailor the ESG integration tools and processes they use to their specific investment strategies. It helps ensure that the integration of ESG factors adds value and complements each team's well-established investment processes. It also helps ensure that the ESG integration activities undertaken by each team reflect the best investment interests of the clients of those portfolios and reflect the appropriate time horizon consideration for each mandate/fund being managed.
- **focuses on materiality**
  Our investment teams focus on those ESG factors that they determine may impact the value of the investment being considered. The *ESG factors are investment factors* section above offers more information on how materiality is determined.
- **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 are always exploring new and better ways to integrate material ESG factors into the investment process.

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 are used in the investment decision making processes of our teams.

ESG integration case studies

Because ESG is integrated in the investment processes of all investment teams, it is an integral part of our investment decision-making. The following case studies demonstrate some of the ways that investment teams have integrated ESG considerations and how information from their integration and stewardship activities has directly informed their purchase, monitoring, and exit decisions in 2021.

PUBLIC EQUITIES

RBC Asian Equity

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 sustainability, good corporate governance, and high returns, the team works to produce portfolios that not only generate alpha, but also 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 every holding, over multiple years. Material ESG issues are integrated into company engagements, documented via ESG checklists and investment initiation reports, and continually 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 Asian Equity Annual ESG Report.

CASE STUDY: Renewable energy leader or laggard?

Objective:

Due diligence on a potential renewable energy investment

Analysis:

In 2021, the RBC Asian Equity team analyzed one of the largest renewable energy companies in India, with a renewable project portfolio of about 14 Gigawatts, as a potential new investment. The issuer initially seemed attractive: strong renewable energy installation growth was expected in coming years, global energy players were partnering with the firm for presence in India, and share prices were up more than 50x since its listing in mid-2018. The company also had a good ESG rating from third-party rating agencies, given its robust renewable energy pipeline.

In its due diligence, the team sought to understand if there was true ESG investment leadership potential in the issuer, despite the issuer's parent company's history of poor ESG practices. The team noticed from the shareholders registry that domestic investors largely ignored the issuer. Analysis on equity valuation and free float levels also alerted the team that current price levels would likely not be reliable over the long term. Finally, the team's balance sheet analysis led the team to believe that management was unlikely to follow through with committed investments.

Outcome:

At a high level, the firm appeared to be a green energy leader following a series of announcements on new projects and strong share price momentum. However, the team's in-depth research of the company's balance sheet, capital expenditure plan, ownership structure and equity valuation, alongside ESG considerations like parent company history and management quality, painted a different picture. As a result of its analysis, the team decided not to invest in the issuer.

PH&N Canadian Equity

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 all securities in the portfolio.

CASE STUDY: Information technology customer relationship risk

Objective:
Conduct due diligence on a potential new investment

Analysis:
The PH&N Canadian Equity team considered an investment opportunity in the information technology sector. The company in question has a strong competitive moat, leading to attractive unit economics, potentially high return on capital, a large addressable market, and a clear value creation strategy. However, the team became concerned about how the business was treating its customers, in particular using its strong moat to drive price increases that harmed customers and put the long-term sustainability of the business in question.

Outcome:
Despite potential short-term gains, the team decided not to invest. The balance of evidence from the team's analysis suggested high social risks, which the team believes are not accurately priced in to the stock today. However, the team continues to monitor the business for changes in its approach to customers, which could signal a potential future investment opportunity.

RBC Emerging Markets Equity

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 select companies with leading ESG practices, considering only companies above a specific internal ESG score threshold as eligible for investment. The team conducts additional independent research and engages directly with eligible 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 Emerging Market Equity Annual ESG Report, available for institutional clients only.

CASE STUDY: Environmental impacts of memory chip manufacturer

Objective:
Monitoring material environmental factors in an existing investment

Analysis:
In 2021, the RBC Emerging Markets Equity team engaged with the management team of a South Korean memory chip manufacturer to update the team's analysis of the company's use of renewable energy, its water conservation efforts, and environmental impacts within the supply chain, amongst other material ESG factors.

Through the course of three engagements, the team learned that the company was focused on increasing its use of renewable energy with a goal of reaching 100% renewable energy usage across all of its businesses by 2050. The team asked about specific examples of how the company would achieve its goal and was pleased to see evidence that the company had already begun to convert its electricity usage at its China factory to renewable energy.

The team also inquired about the company's water consumption, which was higher than peers. The company explained that the increase in water consumption was caused by a program that uses water scrubbers to block hazardous chemicals from being released into the atmosphere from chip manufacturing factories. Furthermore, the company has invested in programs that seek to reuse the cooling water used in this process, which it believes could help significantly reduce water use.

Finally, the company exhibited its awareness of environmental best practices by stressing its focus on improving the environmental impact of its suppliers as well.

Outcome:
Incorporating the information gathered through these engagements, the team determined that the company continues to warrant one of the highest internal ESG scores of all companies under coverage. As a result, the team chose to slightly increase its high portfolio weighting in the company.

RBC European Equity

Approach

The RBC European Equity team sees ESG integration as integral 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 investing.

Specifically, the team assesses the ESG profile of each company under coverage and assigns an internal Sustainability Score encompassing the results of the team's analysis. For each company, a report is generated with a summary and view on ESG. Companies that do not meet the team's internal criteria are excluded from the portfolio. Internal scoring on ESG is further integrated into the team's overall investment conviction score, which directly informs portfolio construction as the team assigns higher portfolio weights to higher conviction investments. Material ESG factors are then monitored throughout the lifetime of the investment.

CASE STUDY: Sustainable infrastructure technology

Objective:
Due diligence on a potential new 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 and learned that the company was planning on releasing sustainability targets in the near future. The company had already mapped out their operations and the ways in which their businesses contributed to 13 of the 17 United Nations Sustainable Development Goals (UN SDGs). A week after the team's engagement, the company released their sustainability goals, which included a target acquisition to contribute to at least one additional UN SDG, as well as 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.

Outcome:
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.

RBC Global Equity

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 on the average company or the market. The team believes that by evaluating the performance of extra-financial factors, including ESG, 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 each 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 find more information in the RBC Global Equity team's Quarterly Owner's Perspective reports.

CASE STUDY: Climate change factors in financial services firm

Objective:
Due diligence on a potential new investment

Analysis:
The RBC Global Equity team first began its due diligence on a leading British multinational financial services and insurance firm in 2018. Since then, it has conducted a number of information-seeking engagements with the company's management team to complete its analysis and form the investment case, including in the areas of corporate culture and employee well-being, direct investment in infrastructure, affordable homes, regeneration, non-carbon transport, and digital networks. The team also focused several engagements on the management of the company's climate change-related risks, as it believes that these risks will have a material effect on companies' long-term profitability, sustainability, and investor returns.

The team noted:

- The company has clear sustainability goals. This includes a 2050 net-zero emissions target aligned with the Science-Based Targets initiative; Paris Agreement-aligned targets for the group balance sheet; climate targets on the executive incentive scorecard; and a commitment to make all of its housing stock net-zero by 2030. The RBC Global Equity team assessed the issuer's decarbonisation strategy and determined that it is credible, with realistic goals.
- The company and management team have leading ESG capabilities within both their listed and private market asset management businesses. The RBC Global Equity team's research indicated that the company is taking its stewardship position seriously, evidenced by a two-pronged approach. On the fixed income portfolio, new capital is directed into low-carbon funds as opposed to high-carbon funds to slowly shift the overall portfolio to low-carbon. On equity portfolios, an engagement approach is taken with punitive divestment as a threat. For instance, through its Climate Impact Pledge, the firm recommends their clients to divest from a particular company to increase pressure on the company to make changes, before eventually re-investing in the company once indications of change appear.
- The company invests in climate transition innovation opportunities.

Outcome:
The team incorporated its ESG analysis into its discounted cash flow valuation. For instance, the revenue line is positively impacted because of strongly increasing demand for ESG-related product, and the company has a broad suite of public and private market capabilities available, with a multi-year track record. The team also incorporated its view that ESG investment products are offering higher margins for the company.

Additionally, the RBC Global Equity team determined that the potential climate-related risks, which have the ability to create contingent liabilities including regulation or taxation, are minimized and well-controlled at this company.

As a result of its analysis, the team believes that the company's industry-leading measures should attract more business and put the company in an advantaged position to capture market share within a growing end market. Therefore, the team determined that the company was an attractive investment opportunity, where ESG factors are seen as a sustainable alpha opportunity, and initiated investment in the fourth quarter of 2021.

RBC North American Equity

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 the companies the team invests in. In doing so, the team seeks to understand the financial and reputational impacts these factors could have, assess the degree to which the market has reflected these in the current valuation, and incorporate these 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

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 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 all of the Canadian energy infrastructure companies in which it was invested 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

Outcome:
Through its engagements and analysis, the RBC North American Equity team determined that the energy infrastructure companies in which they are invested have set robust and achievable emissions reduction targets; are actively seeking new energy investments at attractive rates of returns; are leveraging existing expertise and asset bases; and that both the Boards and executive management acknowledge the strategic importance of managing the risks of evolving fossil fuel and energy dynamics. Therefore, the team decided to maintain its exposure to these select Canadian energy infrastructure companies.

RBC U.S. Growth Equity

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 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 relies heavily 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

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 has seen 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, which favoured an investment, though the team maintains an underweight position and continues to monitor the associated governance risks.

FIXED INCOME

BlueBay Fixed Income

Approach

BlueBay formally and systematically reviews issuers on ESG risk factors. BlueBay's investment analysts work collaboratively with BlueBay's ESG investment team to conduct ESG evaluation, as part of their fundamental credit research. This process enables systematic quantification and documentation of ESG risks and the extent to which these risks are considered material for each issuer. ESG evaluation is undertaken for both corporate and sovereign investments.

BlueBay's ESG evaluation framework results in the same two proprietary ESG metrics across its entire investee universe:

- *Fundamental ESG (Risk) Rating*, which indicates a view on the quality of management of material ESG risks and opportunities faced by the issuer. Issuers' fundamental ESG ratings can be very low, low, medium, high, or very high.
- *Investment ESG Score*, which reflects an investment view on the extent to which ESG factors are considered material to valuations. This is a security/instrument-specific assessment, which ranges from -3 to +3.

These two datapoints 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

Objective:
Initiate coverage on a European food and beverage company

Analysis:
In 2021, BlueBay initiated coverage on a leading, privately-owned European ingredients producer in the food and beverage industry. As the company was not covered by third-party ESG information providers, particular attention was paid to the issuer's public disclosures of ESG policies, initiatives, and performance, with the goal of formulating an in-house view on the company's management of ESG risks and the materiality of those risks to the potential investment case.

Outcome:
As a result of this analysis, BlueBay determined that the issuer exhibited a low level of fundamental ESG (Risk) and assigned it an investment ESG Score of +1.

The team felt that, on balance, the company had a progressive approach to managing the key ESG risks that it faced. Despite being privately-owned, the company's performance also compared favourably to peers. BlueBay also considered the issuer's positive approach to ESG to be material and investment-relevant. The team believes this will benefit the company, as issues of quality and the health profile of end products were considered to be important drivers of future business growth.

As a result of the positive ESG and investment view, the company was invested in during the period.

PH&N Fixed Income

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 each credit, 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: Telecommunications sustainability-linked bond

Objective:
Initiate coverage and form investment thesis for new issuance

Analysis:
In June 2021, a Canadian telecommunications company issued Canada's first Sustainability-Linked Bond (SLB). The investment team considers the issuer to have low-to-medium ESG risk based on its sector, and ranks the company with a moderate score as per its internal ESG rating system, as management has been proactive in addressing environmental and social factors, including setting well defined ESG targets. For instance, the company aims to source 100% of its electricity from renewable sources by 2025, become net carbon neutral by 2030, and reduce energy intensity by 50% between 2020 and 2030.

Prior to the launch of the new issue, the PH&N Fixed Income team spoke directly with the dealer and the company's management team to understand the firm's sustainability strategy, rationale for selection of its emissions reduction key performance indicator (KPI), second-party opinion and Science-Based Target Initiative (SBTI) approval, and actions needed to meet the KPI. The team also compared the step-up to other SLBs present in the global market.

Following the conversation with management, the team integrated information gathered into its overall ESG and investment research, and reviewed all available deal and issuer sustainability documentation to form its investment thesis.

Outcome:
Although the team is cautious of the telecommunications sector overall due to increasing levels of leverage, risk of technology obsolescence, ongoing need for capital investment, and limited clarity in estimating long-term growth potential of the 5G opportunity, the PH&N Fixed Income team determined that this issue represented an attractive investment opportunity overall. The issue exhibited a strong issuer ESG profile, SBTI-approved target, KPI metric alignment to a 1.5 degree increase in global temperature in accordance with the Paris Agreement, and an attractive +100 basis points step up approximately a year prior to maturity, notably higher than step-ups observed in other international SLBs. Therefore, the team invested in the deal and continues to monitor the investment and issuer.

RBC Emerging Markets Sovereign Fixed Income

Approach

The RBC Emerging Markets Sovereign Fixed Income team, part of the RBC Global Fixed Income and Currencies team, believes that ESG analysis is essential to 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 higher ESG ratings, 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 specifically derived using the team's proprietary Global Fundamental Model (GFM) framework. Using extensive 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 GFM framework, which results in a relative ranking of countries on ESG and other fundamental factors. Results of the GFM 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: Russia's deteriorating governance

Since the invasion of Ukraine, our investment teams have continued to analyze and assess all material risks in our portfolios, including ESG factors, with the goal of ensuring the best investment outcomes for our clients, while strictly observing all laws and regulations in every market in which we offer our services.

Following the invasion of Ukraine, Russian exposure has been virtually eliminated across our fund lineup, wherever market conditions and trading opportunities have allowed, and any remaining nominal positions have been written off. In 2021, as discussed below, the teams were already concerned about the situation in Russia. This case describes the RBC Emerging Markets Sovereign Fixed Income team's ESG integration approach to Russian sovereign debt in 2021.

Objective:
Continued monitoring of material ESG factors for Russian debt

Analysis:
As part of its investment process, the RBC Emerging Markets Sovereign Fixed Income team monitors sovereign fundamentals, including ESG factors. In recent years, the team has been paying particular attention to governance and political factors in Russia, given the potential ramifications from the policies carried out under Russian President Putin's administration.

From an ESG perspective, in 2021, Russia ranked above median when compared to the universe of EM countries that the team monitors in some indicators, such as the World Bank's Ease of Doing Business index and UN Human Development Index. However, the team noted that Russia had failed to make significant improvement in corruption levels and has seen its internal environmental risk score deteriorate in recent years. Russia had also adopted a more aggressive stance to international politics in recent years, with actions ranging from military invasion and annexation of Ukrainian territory to supporting malicious cyber-activities and allegedly poisoning and jailing activists.

Although Russia's healthy macroeconomic fundamentals supported the country's ability to pay their external obligations, including the bonds the RBC Emerging Markets Sovereign Fixed Income team held in its emerging market allocations, the country's politics, governance and corruption presented a risk in the country's *willingness* to pay its obligations to international investors.

Outcome:
With a history of human rights violations, deteriorating governance and corruption factors, and longstanding sanctions that had the potential to expand under U.S. President Biden's administration and affect the secondary bond market, the RBC Emerging Markets Sovereign Fixed Income team continued to reduce its investment in Russian debt in 2021.

RBC European Fixed Income

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 profiles relative to their sectors. 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 each potential investment, in-depth due diligence on ESG factors is conducted and included in the credit research report for each company. 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

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 stood out to the team amongst European utilities in terms of its ESG 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 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 underpins a strong credit quality. Therefore, the team decided to add subordinated bonds in the lower part of the company's capital structure to its existing investment.

RBC High-Yield and Global Investment Grade Corporate Fixed Income

Approach

The RBC High-Yield Fixed Income and RBC Global Investment Grade Corporate Fixed Income teams, both part of the RBC Global Fixed Income and Currencies team, incorporate ESG factor analysis into the credit review process in order to evaluate risk exposure.

Research is conducted on new issuers under coverage, and a credit report is created to document the teams' analysis. Each credit report includes an assessment of the ESG risks and opportunities deemed material to the investment, and these are considered as part 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: Recycling considerations at flexible packaging issuer

Objective:
Due diligence on a new bond issue for potential investment

Analysis:
In the summer of 2021, a Canadian flexible packaging company came to market with a new bond issue. As a BBB-rated credit (very close to high yield) and an infrequent issuer, the RBC Investment Grade Corporate Fixed Income team determined further due diligence was required in the credit evaluation process.

Based on satisfactory credit metrics, the team believed the pricing of the new issue was at market and could warrant investment. However, the team found several limiting factors in its ESG analysis, including:

- Governance concerns: The company was family-controlled, with 12% ownership and 70% of voting rights
- Environmental challenges: Part of the company's claims for the new issue were that its packaging products were highly recyclable. However, the team learned during a company marketing call that only one-third of the flexible packaging the company produces is actually recyclable, and the remaining two-thirds was much more challenging and not in scope of the company's recycling claims.

Outcome:
As a result of its analysis, the team decided not to invest in the bond. However, the team will continue to monitor the company and how it positions its flexible packaging segment for potential future developments or changes to the investment case.

RBC Impact Investing Fixed Income

Approach

The RBC Impact Investing team, part of the BlueBay Fixed Income team, aims to generate a positive impact on specific social and environmental themes, while seeking competitive market rate returns. Impact measurement is key to the team's approach, as the team believes that measurement and evaluation enable effective impact management.

The team analyses multiple data sources to identify, track, and manage investments across impact investment themes. Investments are tagged and tracked based on their contribution to impact themes and recorded in the team's internal research database. The objective of the impact strategies is directly aligned with environmental and social themes, which align with the United Nations Sustainable Development Goals (UN SDGs). ESG factors are also analysed from a risk management perspective both at the security and portfolio levels. For more information on the team's impact measurement and management processes and results, please see the Impact Investing Annual Report.

CASE STUDY: Alignment with access to healthcare impact theme

Objective:
Due diligence for a potential investment

Analysis:
The RBC Impact Investing team analysed a new issue from a U.S.-listed multinational biopharmaceutical company. The team found that a large portion of the firm's revenues, as well as its research and development priorities, are attributed to oncology. This aligns with the healthcare impact goals of the impact investment team's mandates, and aligns with UN SDG 3.4.1, which highlights a need to lower mortality rates from cardiovascular, cancer, diabetes, and chronic respiratory disease. The company also has product donation programs in low income countries, which contribute to the access to healthcare impact theme.

In terms of ESG, the investment team determined that governance and social factors were most material and were appropriately managed. For example, the company maintains a majority independent board with 100% independent key board committees. The company also exhibits a good track record of safe and effective drugs, and is highly innovative in its biologic drug products with a focus on high need, life-saving areas like oncology.

Outcome:
As a result of its analysis, the RBC Impact Investing team determined that the biopharmaceutical issuer was aligned with its impact goals, managed its material ESG factors well, and presented an attractive valuation. Therefore, the team invested in the new bond issue.

RBC U.S. Fixed Income

Approach

The RBC U.S. Fixed Income team, part of the BlueBay Fixed Income team, aims to invest in issuers with strong governance and risk management practices. ESG integration enhances the team's knowledge of material ESG issues and its ability to manage downside risk.

The team employs an internal ESG scoring model to assess the ESG profile of all new issuers or deals under coverage. This assessment and score is then incorporated into the team's Fixed Income Dashboard, which includes all fundamental research under the team's coverage. Investment decisions are based on a holistic assessment inclusive of fundamental analysis and ESG factors. Material ESG factors are monitored throughout the lifetime of investments.

CASE STUDY: Governance risk of investor activism

Objective:
Due diligence for a potential investment

Analysis:
The RBC U.S. Fixed Income team evaluated a new bond issue for a healthcare services issuer with one of the largest clinical laboratory networks in the U.S.

The investment team noted that the company exhibited adequate management of social and environmental factors, including:

- adequate safety processes in its labs and clinical research,
- positive impact with increasing aging population in the U.S.,
- investments to enhance cybersecurity to protect patient data, and
- commitments and practices to reduce greenhouse gas emissions.

However, the company also exhibited higher governance risk, stemming from an activist investor's stake in the company. The activist was successful in nominating directors to the board and has pushed the company to undergo a strategic review to unlock shareholder value. While this may ultimately benefit stockholders, the team finds that strategic reviews are almost always negative for bondholders. The most likely outcomes tend to be breaking up the company, large merger and acquisition activity, large share buybacks, or a leveraged company buy-out. All of these decrease the credit quality of the company.

Outcome:
As a result of its analysis, the RBC U.S. Fixed Income team determined that fixed income investors were not being adequately compensated for the governance risks associated with the company. Therefore, the team decided not to invest in the new bond issue.

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 RBC GAM 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 all proxies based on the Proxy Voting Guidelines. Our CGRI team reviews each vote to ensure that the final votes accurately capture the intent of the Proxy Voting Guidelines. The CGRI team draws on research from both ISS and Glass, Lewis & Co. in their 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 are able to 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 each vote 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 each proposal 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, including 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 approval. 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.
- 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 meet to discuss proxy season outcomes and voting trends, which can identify outliers or instances where further implementation refinements are required. RBC GAM also identifies instances and themes where consistent vote overrides or refinements were required throughout proxy season and communicates these details to ISS in order to facilitate any further customization.

Research providers

As outlined in Principle 2, RBC GAM retains the services of a number of research and data providers to support and enhance our stewardship activities. The primary users of this research and data include the investment teams, the CGRI team, and the Investment Risk group. Research and data from our providers helps 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:

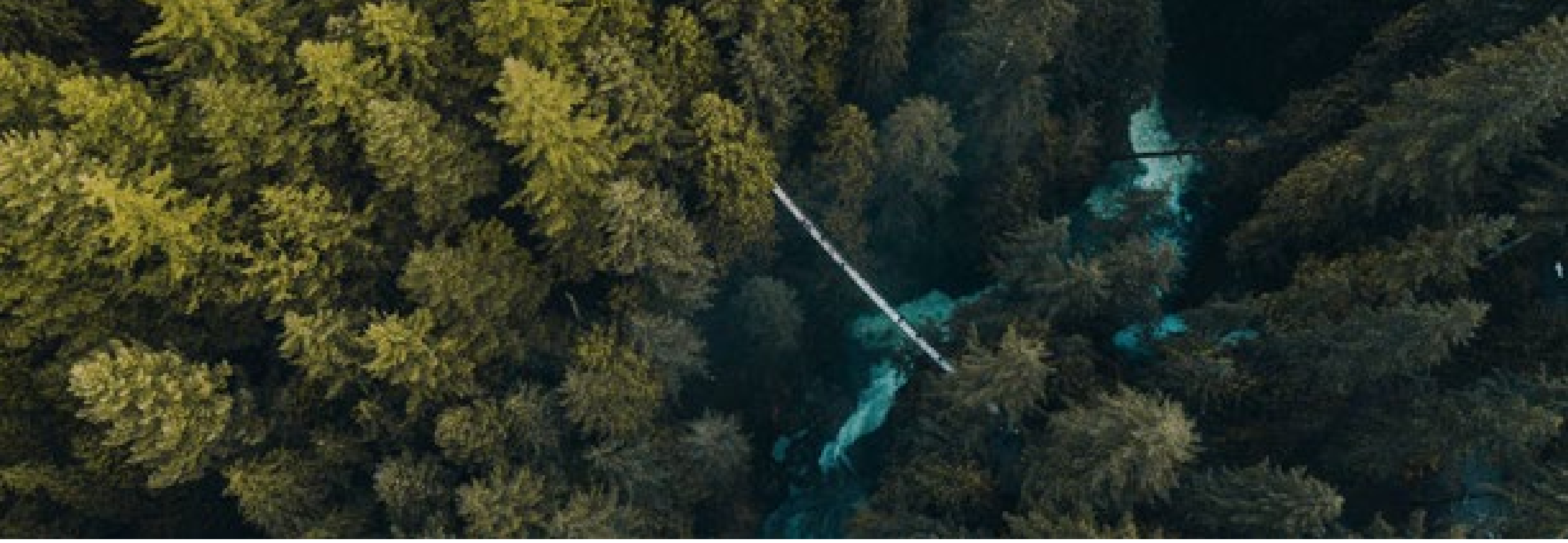
1. Before purchasing data or research from a provider, we conduct market analysis to compare the potential product with its competitors.
2. Our RBC Quantitative Investments team back tests data being considered for core investment and stewardship functions, and both the RBC Quantitative Investment team and Investment Risk group 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 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 to stipulate the conditions where termination may be appropriate.

In 2021, we gave notice to end our relationship with one of our research and data providers. Based on consultation with our investment teams it was determined that the provider was not adding sufficient value to investment teams' ESG integration approach. RBC GAM subscribed to the AI-driven ESG analytics data provider for approximately three years prior to termination.

We are currently evaluating new research and data sources and are evaluating additional data inputs focused on areas such as: sustainable finance taxonomy alignment, adverse impacts, and impact investment.



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 part of our commitments under Our Approach to Climate Change and Our Net-Zero Ambition, we also actively engage with issuers for which 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 all issuers in which we are invested, where climate represents a financially material risk, to:

- identify and publicly disclose material financial and strategic impacts resulting from the transition to a net-zero economy;
- establish targets and action plans aligned to the global ambition of achieving net-zero emissions by 2050 or sooner; and
- demonstrate progress in meeting their net-zero emissions commitments.

Methods of engagement

We employ a variety of engagement methods, depending on the issuer, the issue 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 issues affecting corporate governance, this typically involves meeting(s) with and/or letter(s) to the board of directors. For most other ESG issues, our investment teams meet directly with the board of directors, management team, or specific executives responsible for overseeing the issue at the company.

We have a strong preference for maintaining an open dialogue and working with our investee companies to address any ESG-related matters through private dialogue. While we may consider more public avenues of change, such as filing shareholder proposals 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.

Each investment team selects the engagement method it believes 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 2021, our teams completed 1,651 engagements on ESG-related issues.[7] Examples of approaches across asset classes and strategies include:

- **Public equities**: As a large, institutional investor, our equity teams typically have good access to boards and management in developed markets. Teams use a combination of internal engagement questionnaires and issuer-specific questions, as well as direct communication with management teams as their primary engagement methods. In emerging markets and for smaller capitalization companies, information on ESG issues may be less readily available. In these cases, our investment teams often focus on developing relationships with 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**: Engagement opportunities tend to occur less frequently for debt investors than equity investors in the markets in which we invest. Therefore, our investment teams typically look for opportunities to engage with management teams during road shows or when issuers seek to refinance. Some of our corporate fixed income teams also engage directly with ratings agencies, in some cases facilitating meetings between ratings agencies and issuers to improve transparency and resolve potential discrepancies in information.
- **Sovereign fixed income**: Direct engagement opportunities in this asset class tend to be limited to smaller bodies, such as municipal issuers, or when larger issuers seek out input from the investor community. Our investment teams also engage with regulators within sovereign fixed income markets on matters affecting transparency and fostering fair and efficient capital markets. In general, collaborative engagement plays a larger role in this asset class (see Principle 10).
- **Real estate & infrastructure**: 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.

All our investment teams engage on ESG matters with investee issuers; however, not all of these engagements are systematically recorded and tracked, as they may be part of broader discussions and meetings with the issuer. We are working towards all teams being able to systematically track engagement activities and outcomes in the future.

Engagement tracking is an important mechanism for reporting on our stewardship activities. 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.

[7] 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.

Engagement case studies

Our investment teams meet with the boards of directors and management teams of investee companies on an ongoing basis, often discussing ESG-related risks and opportunities material to our investments. As noted above, we completed more than 1,651 ESG-related engagements in 2021. Public equities engagements represented approximately 60% of these engagements, and Fixed Income represented about 40%.

Engagements are conducted for a variety of objectives, as discussed in Our Approach to Engagement above. In most cases in 2021, 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 2021 and their outcomes are provided below.

PUBLIC EQUITIES

RBC Asian Equity

Approach

The RBC Asian Equity team believes engagement can lead to positive change. 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 Asia Pacific 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. In 2021, the RBC Asian Equity team also conducted a series of thematic engagements, some of which included collaborations with non-governmental organizations (NGOs).

CASE STUDY: Financial inclusion & social impact

Objective:

Information gathering on financial inclusion programs

Engagement:

The RBC Asian Equity team met with an Indonesian financial company to discuss the company's program for providing microfinance loans to women entrepreneurs in rural Indonesia. The company adapted other global microfinance models to Indonesian conditions and developed a model that ensures that financing can be provided within reasonable proximity to the rural villages and that any religious financial conditions are satisfied. The company also addresses underbanked and financially illiterate areas of Indonesia, with its loans helping alleviate poverty.

Outcome:

The team was pleased with the company's growth and the social impact it is making. The team incorporated information gathered into the investment case and determined the company is an industry leader with regard to ESG issues. The team maintained its investment in the company and continues to monitor the company's progress on its financial inclusion programs.

PH&N Canadian Equity

Approach

The PH&N Canadian Equity team believes engagement, in general, provides a competitive advantage. The team emphasizes relationship-building with its investee companies and regularly 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 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

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.

RBC Emerging Markets Equity

Approach

The RBC Emerging Markets Equity team sees ESG-related engagements as a core 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 significant focus in 2021 on climate change, supply chain integrity, and employee engagement and company culture. The RBC Emerging Markets Equity team believes that, globally, 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

Objective:
Enhanced ESG and climate-related disclosures

Engagement:
In the second quarter of 2021, the RBC Emerging Markets Equity team engaged 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.

RBC European Equity

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 they are 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. 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.

In 2021, this was particularly relevant as companies in European markets limited the number of one-on-one meetings they held with investors due to COVID-19 restrictions and often favoured virtual group meetings. This posed some challenges to engagement, as companies were more likely to accept meetings and questions from investors with existing long-term relationships with the company and sizeable investment positions.

CASE STUDY: ESG disclosures

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. While the team recognized that the company has a strong culture, there was no public disclosure on the company's diversity and inclusion policies. Management admitted that while their board was diversified, their workforce was male-dominated. The investment team indicated that they 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 esports, 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 will monitor the company, its approach to material ESG factors, and related disclosures for progress.

RBC Global Equity

Approach

The RBC Global Equity team prioritizes and chooses its engagement topics using a risk-based approach. The team focuses on the materiality of the ESG risks and opportunities to the investment thesis, the team's expectation of company progress within a reasonable timeframe, and the resources required for the company to respond and execute on those expectations. While ESG engagement topics are varied, the RBC Global Equity team tends to concentrate on the themes of human capital and climate change, due to their materiality to portfolio companies. In 2021, the team enhanced its approach to be more systematic by using internally generated annual engagement templates for companies and tracking all engagement objectives and progress in the team's primary data system.

CASE STUDY: Corporate culture

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 is ongoing, as the RBC Global Equity team waits for another meeting to discuss the company's progress. The team continues to monitor the issue.

RBC North American Equity

Approach

The RBC North American Equity team regularly engages with management teams and boards of portfolio companies on a wide range of topics, including ESG issues. In 2021, the team has been more proactive in engaging with portfolio companies by using its ESG Questionnaire, a guide on potentially material ESG risks and opportunities for companies. 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

Objective:
Request enhanced disclosure on material ESG factors at the company

Engagement:
The RBC North American Equity team engaged with a Canadian financial company to request enhanced disclosure on material ESG factors at the company. The investment team provided background on what it believes are material ESG factors for the company, including diversity and inclusion, employee engagement, and climate-related factors. The investment team provided feedback on the company's existing disclosure and ESG strategy, which the investment team believes require improvement. The company's management team was very engaged in the discussion and asked many questions.

Outcome:
The investment team was pleased with management's understanding and acknowledgment of issues discussed and expects an increased focus at the board and executive levels on material ESG factors, as well as enhanced disclosure on key ESG factors. The team continues to monitor the issue.

RBC U.S. Growth Equity

Approach

Because the RBC U.S. Growth Equity team invests in small capitalization companies, which tend to have less mature ESG-related disclosures, the team's primary objective for engagement is to gather information on 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:
Gather information on overall corporate governance and board structure.

Engagement:
In the third quarter of 2021, the RBC U.S. Growth Equity team engaged with a small-cap wireless infrastructure provider to gather information on its board structure and overall corporate governance, as there was limited ESG reporting and a lack of diversity on the board of directors. The team learned that when the controlling shareholder reduces its ownership level, there is a formal program in place to increase the independence of the board. The investment team emphasized the importance of increasing board diversity during the transition, and the need to improve reporting on ESG initiatives.

Outcome:
While the team chose not to invest in the company at the time, it will continue to monitor the company's progress in order to determine potential future investment opportunities.

FIXED INCOME

BlueBay Fixed Income

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. In general, the team engages on ESG factors if these are deemed to represent material ESG risks. ESG engagement is prioritized based on the issuer's ESG risk exposure, quality of ESG mitigation efforts, and ESG performance trajectory, as well as the size of the team's investment exposure and the bond's position in the capital structure. The BlueBay Fixed Income team's engagements generally alternate between information gathering and influence, or contain elements of both, and the team's engagement approach is directly integrated into the investment research process.

CASE STUDY: Water scarcity and sustainable finance strategies

Objective:

Encourage UK water utility companies to address water scarcity and climate change risks and develop sustainable finance strategies

Engagement:

The BlueBay Fixed Income team engaged with a number of UK water utility companies in light of media allegations of illegal discharges of untreated sewage into rivers. The team listened to the companies' responses to the allegations and used the opportunity to discuss broader ESG risks, including efforts to address water scarcity and leakages, climate change, and customer relations. The companies were able to provide evidence of policies and initiatives to manage water pollution risks, as well as performance data to show trends over time. Challenges of managing water quality were discussed, particularly against a backdrop of competing uses from agriculture, mining, roads, and heavy industry.

Outcome:

Overall, the engagements were informative and constructive. The investment team encouraged all companies to consider developing a coherent sustainable finance strategy, which could include ESG-labelled bonds, and incorporated results of the engagements into investment analysis on these companies. The team also invested in one of the issuers from this series of engagements, as the team determined that the issuer exhibited "best-in-class" characteristics relative to its U.K. peers. The BlueBay Fixed Income team continues to monitor these companies and their material ESG risks.

PH&N Fixed Income

Approach

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

Finally, the PH&N Fixed Income team is actively involved in providing feedback and encouraging improvements to the quality of dealers' and issuers' sustainability frameworks, and in encouraging green and/or sustainable new issuances.

CASE STUDY: Green bond framework

Objective:
Information gathering on an issuer's green bond framework and use of proceeds, and requesting that existing bonds be re-labelled

Engagement:
The PH&N Fixed Income team met with a large Canadian power generation entity that recently published its own green bond framework to better understand the framework and the proposed use of proceeds. The entity's management described their overall sustainability efforts and the types of carbon offsets utilized by the company. During their discussion, management provided in-depth detail on overall expenditures, indicating that the majority would be classified as eligible under their proprietary green bond framework. Based on this discussion, the investment team asked management if they would consider re-labelling existing bonds as green. The investment team felt that this action would be appropriate for the company as it operates a green energy generation business.

Outcome:
Management was receptive the investment team's suggestion, while indicating a need to complete further due diligence on the matter. The investment team will follow up on the issue in future engagements.

RBC Emerging Markets Sovereign Fixed Income

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 tend to be limited with government issuers.

The team does attend meetings and presentations between government-related policymakers and investors at least twice per year (IMF 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.

There was minimal ESG engagement activity in these markets in 2021.

RBC High Yield Fixed Income

Approach

The RBC High Yield 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. However, the team does seek to engage with issuers when there is a material ESG issue, with the objective of collecting additional ESG-related information. This is used to supplement the investment analysis and to inform investment decisions.

CASE STUDY: Climate change

Objective:

Information gathering on net-zero carbon emissions targets and associated strategies

Engagement:

In the fourth quarter of 2021, the RBC High Yield Fixed Income team engaged with a Canadian transportation company to discuss its commitment to net-zero emissions by 2050 across its operations. The team wanted to understand the company's mid-term targets and its short- and medium-term initiatives to reach its goals. The company indicated several initiatives it had established to reach its goals: increasing efficiency in transportation carriers and equipment, new green technology, sustainable fuels, and carbon offsets. The company also highlighted some hurdles to reaching its goals, such as poor availability of sustainable fuels for its operations.

Outcome:

The investment team was generally satisfied with the company's response, but will continue to monitor the company's progress, with a focus on the short-term hurdles that the company raised.

RBC Impact Investing Fixed Income

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. The team is able to engage 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: ESG & impact

Objective:

Due diligence for a potential investment

Engagement:

The RBC Impact Investing team met with a life sciences and medical equipment company, as a part of the company's roadshow with fixed income investors ahead of a new European bond offering. The team used the opportunity to update its research on the firm's ESG and impact profile.

The focus of the meeting was the company's new sustainable financing program and the areas the company was seeking financing for, including COVID-19 response, racial equity and social justice, renewable energy, energy efficiency, green buildings, and sustainable supply chains.

The team noted that eligible projects that the company discussed would align with several of the UN SDGs. In particular, the company's businesses all broadly align with SDG 3, to ensure healthy lives and promote well-being for all at all ages. The company's sustainable bond offering was aligned with the Green Bond Principles, a credible framework. The company targets a 30% reduction of greenhouse gas emissions by 2030, with a goal to become carbon neutral by 2050.

Outcome:

The Impact Investing team incorporated information gathered to update its existing research on the issuer. The team's investment thesis did not change as a result of this engagement.

RBC U.S., European, and Investment Grade Corporate Fixed Income

Approach

The RBC Global Corporate Investment Grade Fixed Income, RBC European Fixed Income, and RBC U.S. Fixed Income teams, all part of the RBC Global Fixed Income and Currencies and BlueBay Fixed Income teams respectively, use engagement mainly for information gathering purposes in their ESG integration process.

The teams are able to engage with management through roadshows for new issuances or through sell-side conferences, where one-on-one meetings with issuers are facilitated. However, in 2021, due to the restrictions surrounding COVID-19, these events and opportunities to engage almost exclusively turned to a virtual format, often via pre-recorded video, which proved less conducive to effective engagement compared to in-person meetings.

As a result, there was minimal ESG engagement activity in these markets in 2021.

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/cgri.

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 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. In all cases, 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 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. For instance, in 2021, RBC GAM became a founding member of Climate Engagement Canada, a collaborative engagement initiative focused on engaging with Canadian companies to advance Canada's transition to a net-zero economy.

Below, we provide a selection of collaborative engagements conducted in 2021, and highlight our role as part of the broader collaborative initiatives. A full list of RBC GAM's collaborative initiatives and our activities in 2021 is summarised in Principle 4 and available in our Approach to Responsible Investment.

Climate Action 100+ engagement with energy infrastructure company	**Approach** As a signatory to Climate Action 100+, in 2021 we participated in four collaborative engagements. For example, the RBC North American Equity and CGRI teams engaged multiple times with an energy infrastructure company over the course of 2021.
	Collaborative engagement The objective of the engagement was to request additional disclosure from the company on its climate-related risks and strategy, including carbon intensity reduction targets (by 2035) and interim targets for the company's long-term commitment to achieve net-zero by 2050. Over the course of the year, the investor collaboration submitted a letter and participated in multiple meetings with the CEO of the company.
	Outcome By the end of the year, progress had been made in several areas, including the company's establishment of interim carbon reduction targets to support their 2035 commitment. Areas of ongoing discussion include the disclosure of climate-related policies.
Canadian Coalition for Good Governance (CCGG) engagement with activewear company	**Approach** As part of the CCGG's collective engagement program, RBC GAM may provide input on engagements that the CCGG undertakes on behalf of its investor members, including RBC GAM. In 2021, CCGG completed 31 collective engagements. RBC GAM provided direct comments for six.
	Collaborative engagement In one such example in 2021, the PH&N Canadian Equity team provided comments to the Director of Board Engagement and Head of Research at CCGG on an upcoming CCGG engagement with a Canadian activewear company. The investment team shared its views on the company's executive compensation structure for the year and requested that the CCGG reinforce the importance of managing corruption and human rights risks in the jurisdictions in which the company operates. These topics were included in the agenda for CCGG's engagement with the activewear company, led by the Director of Board Engagement and Head of Research at CCGG and two other investor members.
	Outcome The investment team used CCGG's notes from the meeting to update its own research on the company's management of human rights risks. The company board also made a few changes to its executive compensation structure related to CCGG's comments, including introducing a deferral mechanism to encourage officers to defer a portion of their annual bonus into restricted share units.
Participated in the Investor Policy Dialogue on Deforestation Initiative (IPDD)	**Approach** BlueBay is co-chair of the IPDD, a UN PRI-supported international collaborative initiative focused on engaging with governments like Brazil and Indonesia on halting deforestation. RBC GAM is a supporting investor.
	Collaborative Engagement Through 2021, BlueBay and the other co-chair of the IPDD continued to secure support from investors, serving as an important signal to the materiality of this issue for the governments in question. The Indonesia Investor Working Group was also formally integrated into the IPDD in January 2021. Meanwhile, the IPDD's public policy dialogue with Brazilian authorities continued. The IPDD first met with Brazil's Vice-President to discuss deforestation in 2020. Investors were encouraged at the time by the government's commitments to address outstanding issues. In 2021, the IPDD held a number of educational sessions about upcoming regulations, which could increase environmental deforestation and erode social and human rights. In 2021, the IPDD continued to engage in meetings with Brazilian government officials, foreign ambassadors to the country, members of the opposition, and members of civil society.
	Outcome The IPDD continues its ongoing dialogue regarding the issue of deforestation, which will continue in 2022.

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

Principle 11

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

Escalation of stewardship activities

We assess all of 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.

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

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.

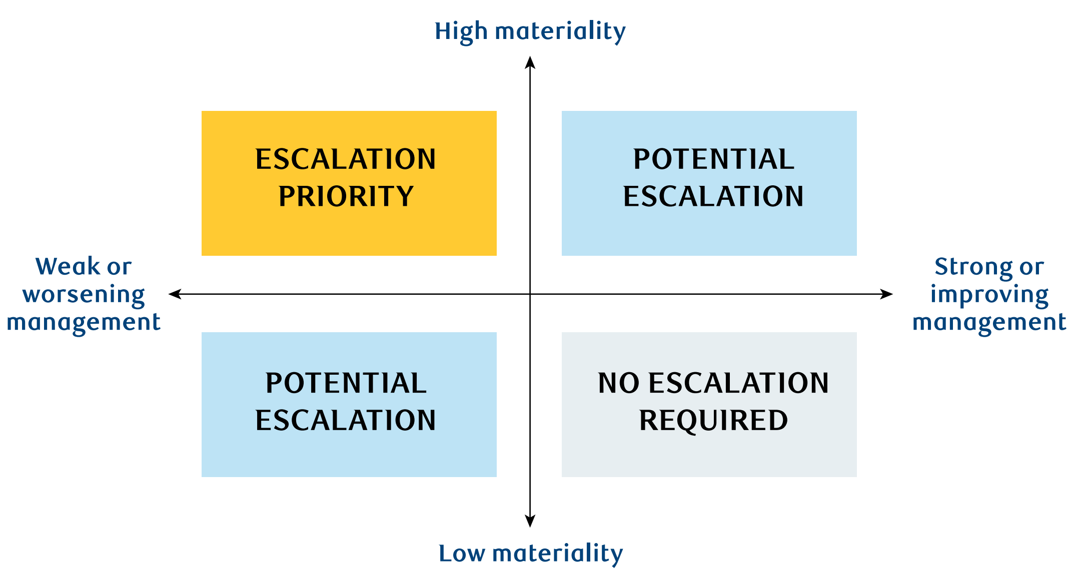
Escalation is an iterative process, and each of the methods we may employ is informed by the overall escalation objective. For example, information gathered through engagement may result in escalation through proxy voting, which may in turn lead to further engagement opportunities either directly or collaboratively. Similarly, a public statement may lead issuers to reach out to their shareholders to engage on a material ESG topic that the company 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. 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.

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 prioritize our efforts are materiality and the issuer's performance in managing or mitigating the issue, as demonstrated in the following graphic:



1. **High Materiality | Weak or Worsening Management**: An escalation priority typically arises when an issuer is exposed to a highly material ESG factor and is not employing adequate measures to manage and address the risks and/or opportunities related to that factor. In this case, our investment teams may employ the escalation methods they deem most appropriate for conveying their views on the material ESG matter. Engagement and/or escalation objectives may be established, using the team's direct investment and ESG research on the topic and drawing on established best practice frameworks. Investment teams may also collaborate with the 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 company's management of, and exposure to, that factor as part of their regular ESG integration and investment monitoring processes. 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 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.

More stringent voting policies and associated engagement on board gender diversity	**Approach** As a signatory to the 30% Club Canada Investors Group, we engage with S&P/TSX Composite Index companies with the objective of achieving a minimum of 30% women on boards and in senior management roles by 2022.
	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 2021, approximately 60% of votes against/withheld from directors at investee companies were in part or entirely related to gender diversity concerns, as a direct result of this policy. Following the 2021 proxy voting season, we also 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. We will continue to monitor these companies for progress on board gender diversity in 2022 before determining potential further points of escalation.

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 Our 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. While 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. 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.

De-escalation of stewardship efforts as a result of engagement outcomes on executive compensation plans	**Approach** At RBC GAM, we believe that management and director compensation plans provide a key opportunity to align the long-term interests of shareholders with the interests of management and directors. Compensation plans should be sufficiently generous to attract and retain individuals with the skill sets required to ensure the long-term success of the company, but compensation should always be commensurate with performance. Equity-based compensation plans, in particular, should reward good performance only, and we evaluate these plans in great detail as part of our stewardship activities.
	Escalation In the case of a Swiss-based global private equity firm, RBC GAM first determined a poor pay-for-performance link in 2018, when the firm first introduced a deferred cash payment element to executive compensation. Since then, the RBC Global Equity team has been engaging with the firm directly on its executive compensation structure to encourage alignment between the interests of management with shareholders. In 2021, the RBC Global Equity team continued its multi-year engagement with the company. This year, the Board presented progress by replacing restricted stock options with restricted shares within its compensation plans, among other changes. The company also shared with the investment team several mitigating factors within the compensation plan that align management interests with the long-term interests of the company and its shareholders, while also preventing excessive upside or downside for management compensation.
	Outcome After voting against the executive compensation plan in 2018, 2019, and 2020, and escalating efforts through ongoing engagement through this time period, RBC GAM chose to support the compensation plan in 2021. We chose to de-escalate our voting actions in this way, due to the outcomes of the investment team's ongoing engagement with the company and the changes that the Board made to the executive compensation structure, in line with best practices in Switzerland and the long-term interests of shareholders. For more information on the factors we consider in assessing executive compensation plans, please see our Proxy Voting Guidelines. Our proxy voting records are available on our regional websites, in accordance with applicable regulations.Principle 12 provides more information on our proxy voting activities and how we voted in 2021.

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/cgri.

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 Policy, which sets out procedures for administering our votes, escalating any voting issues, and identifying and managing conflicts of interest. We vote all of our shares independently and in accordance with our custom Proxy Voting Guidelines.

Proxy voting is managed centrally by the CGRI team for all RBC GAM funds, except for those managed by external sub-advisors, certain funds managed by BlueBay, and a minority of institutional client accounts, as requested. The Proxy Voting Policy applies to all of these funds, and votes are made in alignment with our Proxy Voting Guidelines.

We generally do not vote on ballots that employ share-blocking, where trading is restricted from the time a proxy is voted until after the annual meeting.[8] This generally accounts for less than 1% of our total votes annually. We may choose to vote at a meeting where share-blocking 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 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 custom Proxy Voting Guidelines. In many cases, we may reinvest in the company at a later date, 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 vote on particular issues. 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.

[8] Share-blocking 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.

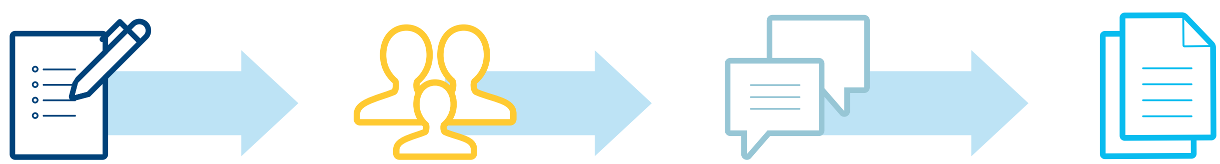
Our Proxy Voting Guidelines are comprehensive and set out detailed guidance on topics including:

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

We review and update our Proxy Voting Guidelines on an annual basis to reflect any changes in corporate governance best practices. All changes are reviewed and approved by our Proxy Voting Committee (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 a company'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 managed by our CGRI team, with input from investment teams, research firms, and the Proxy Voting Committee.



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. Barring 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. Every ballot item is reviewed before our vote is registered. Where necessary, we rely on research on management performance and ESG issues from portfolio manager and analyst due diligence, information provided by leading independent research firms such as ISS and Glass Lewis & Co., and involvement in organizations such as CCGG, the 30% Club Canadian Investor Group, and Climate Action 100+.

We have retained ISS to provide proxy voting administration services on our behalf. ISS's custom research team makes recommendations as to how each ballot item should be voted, in accordance with our custom Proxy Voting Guidelines. However, the CGRI team evaluates this recommendation and each ballot item prior to submitting our vote, ensuring that each item is voted in line with the best interests of our portfolios and our clients. Although the research and voting recommendations of both ISS and Glass Lewis 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 our proxy voting administrator's local proxy voting guidelines 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 ensure proper implementation. Further, our thorough review of each voting recommendation is completed, regardless 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 client(s) to deviate from the relevant proxy voting guidelines 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 Proxy Voting Committee makes all final determinations on how proxies should be voted in accordance with clients' best interests. The CIO retains ultimate decision authority.

We may sometimes abstain from voting shares that are subject to share-blocking 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 policy. Finally, we conduct a quarterly reconciliation process to ensure the number of votes submitted at issuer meetings match internal records of securities held in affected accounts and portfolios.

Exercising voting rights across funds, assets and geographies

The RBC GAM custom Proxy Voting Guidelines are applied in Canada, the United States, the United Kingdom, Ireland, Australia, and New Zealand. In all other markets, RBC GAM applies ISS's local proxy voting guidelines. In all cases, RBC GAM reviews each meeting and proposal to ensure votes are submitted in the best interests of our clients. As with all voting recommendations, 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 also play a crucial 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, all transactional voting items are escalated to investment teams. As a result, investment teams regularly provide direct input on voting items within fixed income portfolios.

We believe that the corporate governance and responsible investment principles we apply through proxy voting are in the best interest of all shareholders and clients invested in the companies we vote on. Therefore, RBC GAM generally votes in the same way across all internally managed funds, and in accordance with the RBC GAM Proxy Voting Guidelines. In the event that portfolio managers of separate funds wish to vote differently on a proposal, the vote decision is escalated directly to the CIO for approval.

Monitoring our voting rights

As discussed, we retain the services of ISS to execute our proxy votes, once RBC GAM makes our voting decisions. ISS works directly with ISS and our custodians to set up accounts for voting in ISS' online voting platform, ProxyExchange. RBC GAM also uploads our 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 ensure that the number of votes submitted at issuer meetings through the ISS platform matches our internal records of securities held in those accounts and portfolios. This process provides assurance that we are voting all proxies for which we have voting rights. We are also working toward more frequent voting reconciliation, and have made progress in 2021 through by setting up daily holdings data feeds into ProxyExchange.

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.

Exceptions to our Proxy Voting Policy

As indicated, RBC GAM generally votes the same way across all internally-managed funds, in accordance with the RBC GAM 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 policy:

- **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**: Certain BlueBay funds' proxy voting is managed directly by BlueBay. Given BlueBay's specialist focus on fixed income assets, the number of occasions when BlueBay is engaged in proxy voting is limited. It is most likely to occur with convertible and high yield bond investments, where an allocation may take on formal voting rights. Details on BlueBay's proxy voting activities can be found in its own UK Stewardship Code and its Proxy Voting Policy.
- **External sub-advisors**: Certain portfolios are externally-managed for RBC GAM by 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 all of our funds (with the exception of client segregated accounts) are publicly available on our regional websites and are updated quarterly, 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 in Canada. We working toward expanding our vote rationale disclosure into other markets.

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 portfolios that are externally managed for RBC GAM, sub-advisors submit voting records to RBC GAM on a quarterly basis for public disclosure.

Proxy voting results[9]

The table below details the rates at which we have voted against management across key markets in 2021, including during proxy voting season.

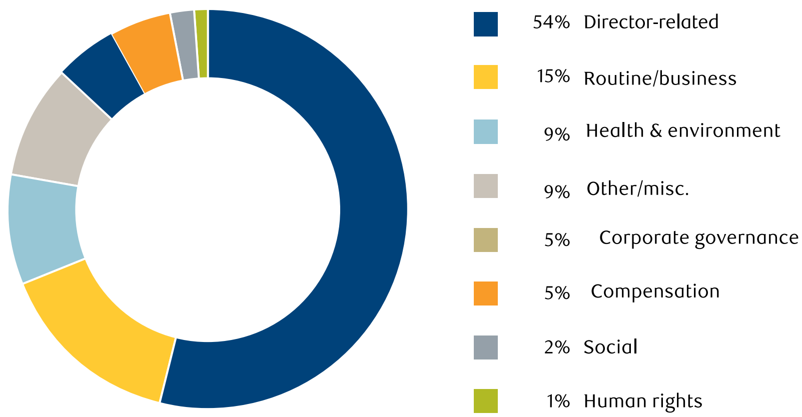
	Canada	U.S.	Overseas	Total
Proposals	3,432	11,669	21,786	36,887
Votes WITH management	2,926	9,111	19,564	31,601
Votes AGAINST management	506	2,558	2,222	5,286
% of votes AGAINST management	14.7%	21.9%	10.2%	14.3%

[9] 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

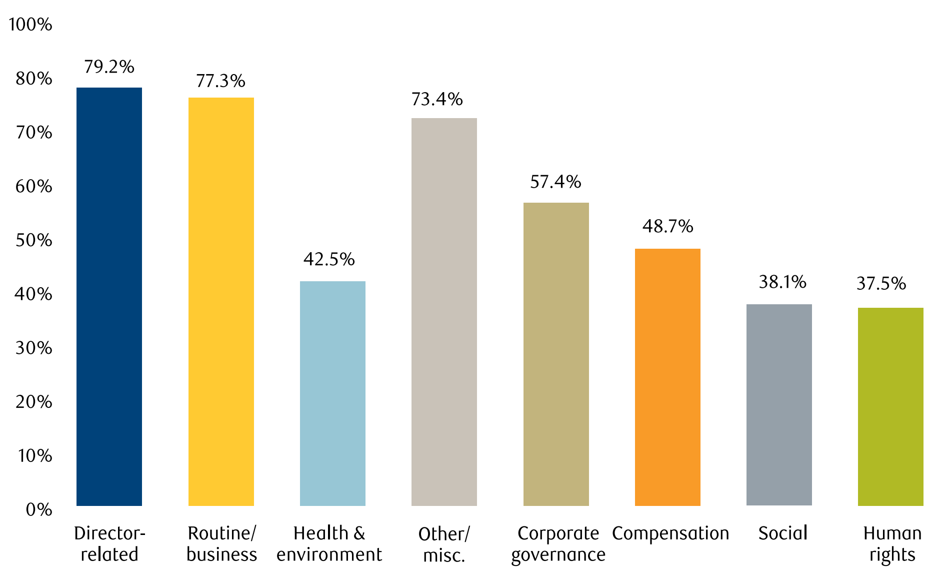
Shareholder proposals

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 36,887 management and shareholder proposals on which we voted in 2021, 872 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



Shareholder proposals supported by category



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	2	19	90.5%	2	233	99.1%	5	30	85.7%	9	282	96.9%
Elect director	2,246	391	14.8%	6,554	1,864	22.1%	5,104	540	9.6%	13,904	2,795	16.7%
Approve remuneration of executives	165	15	8.3%	901	103	10.3%	677	155	18.6%	1,743	273	13.5%
Allow shareholder meetings to be held in virtual-only format	2	0	0.0%	0	0	0.0%	28	4	12.5%	30	4	11.8%
Approve remuneration of directors	0	0	0.0%	0	1	100.0%	821	54	6.2%	821	55	6.3%
Ratify or approve auditors and their remuneration	297	2	0.7%	1,100	2	0.2%	788	15	1.9%	2,185	19	0.9%
Shareholder proposals												
Require independent board chairman[10]	0	0	0.0%	1	32	97.0%	0	0	0.0%	1	32	97.0%
Provide right to act by written consent or amend articles to call special meetings[11]	0	0	0.0%	3	83	96.5%	0	0	0.0%	3	83	96.5%
Report on equal employment opportunity[12]	0	0	0.0%	2	10	83.3%	0	0	0.0%	2	10	83.3%
Political contributions and/or lobbying disclosure	0	0	0.0%	6	29	82.9%	0	0	0.0%	6	29	82.9%
Link executive pay to social criteria	0	0	0.0%	2	3	60.0%	0	0	0.0%	2	3	60.0%
Report on climate change or environmental policies[13]	0	0	0.0%	3	11	78.6%	15	1	6.3%	18	12	40.0%
Proposals requesting non-binding advisory vote on climate action plan[14]	1	0	0.0%	2	2	50.0%	0	0	0.0%	3	2	40.0%
Human rights risk assessment or improve human rights standards	1	1	50.0%	4	2	33.3%	0	0	0.0%	5	3	37.5%
Gender pay gap	0	0	0.0%	4	2	33.3%	0	0	0.0%	4	2	33.3%
Greenhouse gas (GHG) emissions[15]	1	1	50.0%	4	2	33.3%	2	0	0.0%	7	3	30.0%

[10] 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 dissident card of a proxy contest that included shareholder proposals. As a result, our instructions of 'Do Not Vote' on the management card were calculated as one vote WITH management under the following proposal categories: "Require Independent Board Chairman" and "Provide Right to Act by Written Consent or Amend Articles to Call Special Meetings". The following categories received two proposals on the dissident card, as a result, our instructions of "Do Not Vote" on the management card were calculated as two votes WITH management under the following categories: "Political Contributions and/or Lobbying Disclosure" and "Report on Climate Change or Environmental Policies".

[11] Management did not include a vote recommendation on one vote in the "Provide Right to Act by Written Consent or Amend Articles to Call Special Meetings", thus one of our FOR votes was counted as a vote with management.

[12] Management supported one proposal under the "Report on Equity Employment Opportunity" item category. After review, RBC GAM voted WITH management on the proposal.

[13] Management supported one proposal in the "Report on Climate Change or Environmental Policies" item category. After review, RBC GAM voted WITH management on the proposal.

[14] Management supported one proposal in the "Proposals Requesting Non-Binding Advisory Vote on Climate Action Plan" category. After review, RBC GAM voted WITH management on the proposal.

[15] Management supported one proposal in the "GHG Emissions" category. After review, RBC GAM voted WITH management on the proposal.

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 2021.

Proxy contest at international oil and gas company

Approach

In recent years, we have seen an increase in contested elections where a dissident shareholder proposes its own slate of director nominees. In these situations, it is important to understand the governance and performance issues that are at stake and the relevant skills and experiences of the nominees and current board members. RBC GAM reviews dissident shareholder proposals for director nominees on a case-by-case basis to determine which directors will likely result in the best governance and company performance over both the short and long term.

Proxy vote

In 2021, one of the world's largest publicly traded oil and gas companies was the first large-cap company in the United States to face a proxy contest centered on climate change. Specifically, the proponent accused the company of poor financial governance, as well as failing to enact a viable strategy for dealing with the risks related to climate change. As a result, the proponent proposed a plan that included the following calls to action:

- Impose better long-term capital allocation discipline by using more conservative oil and gas prices in its capital allocation analysis.
- Overhaul management compensation to align incentives with the performance of the company itself, not based on the performance of the oil and gas sub-industry.
- Implement a strategic plan for sustainable value creation in a changing world by leveraging its expertise in energy delivery to focus on other sources of energy, including net-zero emissions energy sources and other clean energy infrastructure
- Refresh the Board with the proponents four independent director nominees with experience in energy, technology, and regulatory policy

RBC GAM analysed the company's financial performance, historical capital allocation choices, and existing disclosures related to climate change to understand the company's potential need for the proponent's recommended measures. We also evaluated the proponent's calls to actions and the qualifications of the director nominees to address the required changes at the company.

Outcome

As a result of our analysis, we determined support for the proposal was warranted and supported three of the four nominees proposed by the dissident shareholder.

As a result of this six-month proxy contest, the corporation made commitments to enhance its climate disclosure, set greenhouse gas reduction targets, and disclose its scope 3 carbon emissions. Three of the proponent's director nominees also won seats on the company's board, representing 25% of the total board.

RBC GAM and our investment teams continue to monitor this company and the Board of Directors for progress in addressing the identified issues.

Racial equity audit votes across U.S. financial institutions	**Approach** At RBC GAM, we believe that companies with strong diversity and inclusion policies and procedures will perform better over the long term. To the extent possible, the workforce of an organization should reflect the gender, ethnic, cultural, and other personal characteristics of the communities in which the company operates. Furthermore, companies must ensure that they meaningfully address any issues of racial injustice in their workforces and as a result of their community impact.
	Proxy vote In 2021, a series of shareholder proposals were filed at large U.S. financial institutions requesting that the boards oversee third-party racial equity audits. Racial equity audits are intended to analyse any adverse impacts of a company on visible minority stakeholders and communities. They can also help companies understand where they can make improvements in developing diversity and inclusion policies and/or ensuring the appropriate implementation of existing policies. Many of the companies that received these shareholder proposals have made significant investments in initiatives aimed at advancing equality and providing economic opportunities for visible minorities. However, in many cases, these companies also had controversies related to racial equity issues. For example, a number of these companies had a history of alleged discrimination against minorities through lending practices and/or employee compensation and promotion activities.
	Outcome In analysing these proposals, RBC GAM generally deemed such racial equity audits material and necessary for companies that have experienced diversity-related controversies. Therefore, we supported shareholder proposals requesting reports on racial equity audits at 8 financial institutions that experienced diversity-related controversies, of the total 9 proposals related to racial equity audits we voted on in 2021. Zero of these 9 racial equity audit proposals received majority support from shareholders. 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.

Compensation-related voting at a multinational fast food company	**Approach** RBC GAM believes that all compensation plans should attempt to align the interests of management and directors with the long-term interests of shareholders. Compensation plans should be sufficiently generous to attract and retain individuals with the skillset required to ensure the long-term success of the company, and compensation should always be commensurate with performance. In recent years, we have seen some executive compensation packages reach excessive levels with insufficient correlation to individual or corporate performance. Performance criteria should be clearly disclosed and defined and cover multiple material aspects of long-term performance. The performance criteria and the degree to which they have been met should be determined and disclosed by the compensation committee.
	Proxy vote In 2019, the CEO of a multinational fast food company was fired because he violated company policy and “demonstrated poor judgment involving a recent consensual relationship with an employee.” As part of the severance agreement presented in the executive compensation vote at the company’s 2020 Annual General Meeting, the Board chose to terminate the former CEO’s contract “without cause,” which resulted in the favourable treatment of outstanding awards with a total compensation amount of US$17.4 million. At that time, RBC GAM voted against the compensation plan as we found the compensation to be excessive and inappropriate given the CEO’s violations of the company’s Code of Conduct. We also found this decision to be incongruous with company culture by not maintaining a leadership example that demonstrated adherence to company policies. We felt that this could lead to future governance risks for the company. In 2021, the issue escalated following an investigation by the Board of Directors into the CEO’s conduct, which revealed additional inappropriate activities and further violations of company policies. The CEO had also destroyed information regarding these prior infractions. As a result, the Board initiated a lawsuit against the former CEO to “recover compensation and severance benefits that would not have been retained by [the CEO] had he been terminated for cause.” While RBC GAM agrees that the additional compensation should not have been granted and should be clawed back, we believe that these actions represented mismanagement by the Board of Directors when the issue first appeared. The Board has ultimate responsibility for investigating violations of company policy and risk oversight, and this investigation was not completed in a thorough manner. Had the Board conducted a more comprehensive review initially, these issues may have been addressed at the outset. Additionally, the compensation committee should have reviewed the terms of the severance in more detail: a clawback policy should have been included in the severance agreement, and the meeting minutes for the compensation committee when discussing the issue should have been disclosed as part of these proceedings. Ultimately, if the Board had completed its duties appropriately, it is likely that the company would not be faced with the additional legal costs incurred by the lawsuit initiated in 2021.
	Outcome As a result of this analysis, RBC GAM escalated our vote in 2021. We not only voted against the compensation plan (as per 2020), but also voted against the election of both the Chair of the Board of Directors and the Chair of the Compensation Committee. These directors received a total of 70.19% and 79.48% shareholder support at the 2021 annual general meeting of shareholders, which is considered relatively low. Typically, directors at this company receive more than 90% shareholder support. This issue is ongoing, and we continue to monitor the lawsuit and the company’s management of its governance risks, which resulted from this issue.

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/cgri.

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 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. For example, in 2021, the PH&N Fixed Income team responded to specific issuers' requests to allow temporary relief on certain covenants that could trigger an Event of Default as a result of COVID-related disruptions to business activities.
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. For example, in 2021, the PH&N Canadian Equity 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. This was a situation that could have led to default if failures were not addressed.
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. For example, in 2021, the transition away from the London Interbank Offered Rate (LIBOR) in the UK affected British pound-denominated fixed income holdings. The RBC European Fixed Income team, part of the RBC Global Fixed Income and Currencies team, reviewed prospectus documents for holdings that may have a floating/variable coupon to determine if their terms and conditions had a fallback clause and identified a mechanism for a transition to another reference rate should the one initially set out in the documents no longer be available or published. As bondholders, the team also responded directly to two consent solicitations where issuers proposed a new succession reference rate on their two outstanding bonds following LIBOR discontinuation. 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.

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

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