

Responsible investment and the role of active stewardship



In the broadest sense, a steward manages or looks after another's property. With responsible investment, an asset manager like RBC Global Asset Management (RBC GAM) serves as a steward for its clients' assets. RBC GAM believes that being an active, engaged and responsible owner empowers it to enhance the long-term, sustainable performance of its investment strategies. It recognizes that the rights it has as a large, global investor come with the obligation to actively use those rights in a responsible way.

What does this look like on a day-to-day basis? This article will explore three ways in which RBC GAM approaches responsible investment as an active steward.

1. Proxy voting

It is RBC GAM's policy to exercise its voting rights in the best interests of clients, with a view to enhance the long-term value of the securities held. Each voting decision is made independently and is guided by RBC GAM's Proxy Voting Guidelines. RBC GAM updates its custom guidelines each year to reflect its views on emerging trends in corporate governance and responsible investment. Some of the most notable updates made in 2020 relate to Indigenous rights, board gender diversity and shareholder rights.

RBC GAM's proxy voting process



RBC GAM implements custom **Proxy Voting Guidelines**, and engages a proxy advisor to recommend a voting position for each individual ballot item, based on RBC GAM guidelines.



RBC GAM's **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 RBC GAM's **internal Proxy Voting Committee**. This committee also implements processes to manage conflicts of interest and protect the independence of RBC GAM's voting decisions. Barring exceptional circumstances, RBC GAM does not disclose how it intends to vote or provide rationales for votes on specific issues ahead of time.



RBC GAM makes proxy voting records publicly available on the RBC GAM website in accordance with **applicable regulations**. RBC GAM also provides commentary on its proxy voting activities in the semi-annual responsible investment reports, and provides additional reporting to clients.

Proxy voting statistics – 2020 proxy voting season

In many ways, the decision to invest in a company is an endorsement of its management. RBC GAM will typically vote with management on routine matters. However, portfolio managers must consider the investment implications of any issue on which they vote. In some cases, RBC GAM's votes do not align with management.

The following table details the rates at which RBC GAM has voted against management across key markets in the first half of 2020. The total votes against management rose slightly compared to last year, up to 13.4% from 12.6%. This is largely the result of enforcing RBC GAM's updated board gender diversity guideline. It requires at least 25% women directors on a company's board of directors.

Proxy voting statistics^{1, 2} (January 1 – June 30, 2020)

	Canada	U.S.	Overseas	Overall
Proposals	2,821	9,635	12,582	25,038
Votes WITH management	2,481	7,736	11,462	21,679
Votes AGAINST management	340	1,899	1,120	3,359
% of votes AGAINST management	12.1%	19.7%	8.9%	13.4%

¹The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by BlueBay Asset Management LLP, externally managed subadvised funds and specific institutional accounts.

²Voting statistics account for proxy votes submitted by RBC GAM and may include instances where RBC GAM's proxy votes were rejected at the time of meeting, which may occur due to proxy voting administration issues in foreign markets. Voting statistics exclude instances where RBC GAM intentionally did not vote due to shareblocking restrictions or other logistical impediments.

2. Engagement with issuers

RBC GAM's investment teams meet with the boards and management of companies on an ongoing basis. They often discuss environmental, social and governance (ESG) related risks and opportunities material to RBC GAM investments, typically for the following reasons:

- To seek better disclosure of ESG risks and opportunities and the steps the issuer is taking to address them.
- To encourage more effective management of ESG factors when they may impact the investment value.
- Where an issuer is lagging its peers on a material ESG issue, to monitor and encourage continued improvements that will positively impact the long-term value of an investment.

Methods of engagement

Equities	Fixed Income
As equity investors, RBC GAM has a direct line of communication to company boards via proxy voting. RBC GAM's investment teams also have ongoing conversations with management teams to share their views on ESG issues that may impact long-term shareholder value.	Fixed income investors are more likely to engage with senior management as bonds reach maturity and the company seeks to refinance, focusing on matters that may impact the likelihood of debt repayment or of the issuer's perceived credit quality in the market.

3. Collaborating with regulator bodies, policymakers, and like-minded investors

RBC GAM works closely with other like-minded investors and investor coalitions to improve the ESG-related disclosure and practices of companies. This helps them address the issues that are becoming increasingly important to shareholders.

Here are just a few examples of RBC GAM’s ongoing strategic collaborations:

International Corporate Governance Network



RBC GAM is a member of the International Corporate Governance Network (ICGN). The ICGN aims to promote effective standards of corporate governance and investor stewardship to advance efficient market and sustainable economies worldwide.



Sustainability Accounting Standards Board

RBC GAM is a member of the Sustainability Accounting Standards Board (SASB) Alliance and SASB’s Investor Advisory Group. SASB’s mission is to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors.

The Climate Action 100+

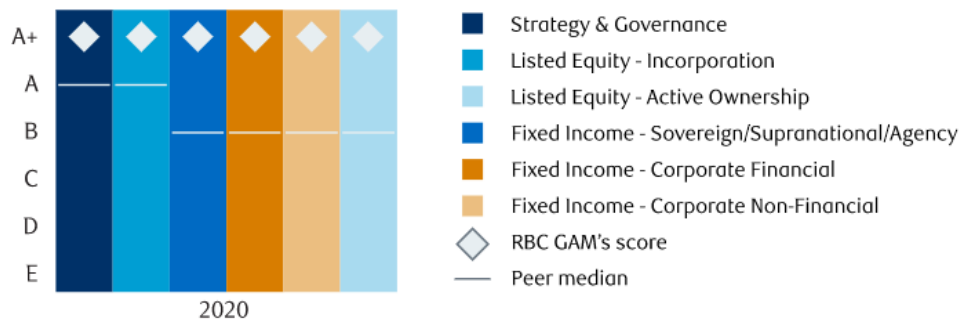


RBC GAM is a signatory to the Climate Action 100+. This collaboration focuses on active engagement with the world’s largest publicly traded and systemically important carbon emitters, or companies with significant opportunity to drive the transition to a low-carbon economy.

UN Principles for Responsible Investment (PRI)



As a PRI signatory, RBC GAM is committed to implement the six Principles of Responsible Investment and report on its activities and progress in implementing them. The PRI evaluates signatories’ approaches to the Principles based on its assessment methodology (see <https://www.unpri.org/signatories/reporting-and-assessment>). In the most recent Assessment Report, the PRI gave each of RBC GAM’s modules a score of A+.



For more information on RBC GAM’s engagement activities, visit rbcgam.com/esg

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