



Impact investing annual report

2021

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Letter from our Chief Strategist, Impact Investing



Ron Homer
Chief Strategist,
Impact Investing

[Ron Homer- an
impact investing
pioneer](#)

In 2021, much of the thought leadership and resulting political debate in the United States focused on how to effectively address the resilience of the COVID-19 pandemic, climate change and extreme weather events, crumbling infrastructure, increased inflation, rising crime rates and the need to build a more equitable society.

Included in these debates is a discussion of the respective and proper roles of government, philanthropy and the private sector in addressing broad societal issues. Unfortunately, these respective roles are often pitted against each other, resulting in conflict, inaction and inefficiencies that hamper the use of scarce resources in achieving the intended impact and outcomes. The good news is that the amount of resources available to address these issues has increased exponentially in each of these sectors. The challenge for 2022 and beyond is how to most effectively deploy these resources in order to maximize impact and to create and implement innovative solutions.

As you review our 2021 Impact Investment Annual Report, you will see that our US Impact Investing strategies are predicated on scale, collaboration, coordination and outcome measurement.

In order to achieve **scale**, we attempt to maximize the use of government resources in the form of existing subsidies and loan guarantees, targeting their use in areas of need identified by available data and client interest.

In the accumulation and deployment of our assets under management, we **collaborate** with our clients to develop investment strategies that will create financial and social outcomes that are sustainable, measureable and benchmarked to create investment and social alpha.

Within our investment strategies, we **coordinate** the use of government and philanthropic resources to work with originators that finance the activities that align best with our clients' impact objectives. We also coordinate and leverage our clients' resources through regional partnerships and initiatives.

Our investment strategies are designed to produce specific and **measurable outcomes** such as increased affordable housing and homeownership, targeted small business formation and development, reduced carbon emissions, clean water and environmental remediation, and increased access to education and healthcare.

Finally the recent aggression by Russia and the potential for similar aggressions in Asia highlight the need for investments that reduce the reliance on fossil fuel energy and that recognize the need to create a more equitable economy within our democracy as an example for the world.

A handwritten signature in black ink that reads "Ron Homer".

RBC GAM's commitment to impact investing

At RBC Global Asset Management (RBC GAM), our approach to responsible investment is anchored by the knowledge that our clients have entrusted us to help them secure a better financial future. Our clients are at the center of what we do and we continually strive to implement creative solutions that meet their needs.

At RBC GAM, we believe that:

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

This report provides an in-depth view of our fixed income impact-focused strategies, highlighting the change and growth that occurred in 2021 and how we believe our investments are contributing to pioneering solutions that seek to mitigate climate change, reduce inequalities, and create a more prosperous society for all.

Addressing Today's Pressing Issues

The global economic and social upheaval we have all experienced as a result of the COVID-19 pandemic has motivated many investors to seek investment strategies that aim to do more with their investments than simply pursue a financial return. We have seen a significant increase in interest around a variety of pressing issues, including:

- a. Support for low-to-moderate income (LMI) communities and families
- b. The racial wealth gap and other systemic inequities experienced by Black, Indigenous, and People of Color (BIPOC) communities
- c. Small business and job creation, especially in underserved areas or to underserved entrepreneurs
- d. Access to affordable and effective healthcare, including equitable access to vaccines and disease prevention and treatment
- e. Climate change and its disproportionate impact on LMI populations

These are complex issues that will require scalable and coordinated solutions - coordination across government entities, corporations, the philanthropic community, and the capital markets.

Many of these issues are interrelated: for example, having safe and affordable housing is an important determinant of health outcomes. Inadequate housing conditions have been associated with a range of negative health impacts, including increased incidence of asthma, obesity, lead poisoning, injuries, and poor mental health.¹ Conversely, stable housing is critical to secure and retain gainful employment, and for children to attend and succeed at school.

Climate change is a growing problem with global implications, but we also see the negative impacts of it in our local communities when hurricanes, wildfires, and other weather-related disasters destroy homes and displace families. What's more is that LMI populations are often disproportionately affected by these events, as they are less likely to have the necessary resources to rebuild and stay.

Our fixed income impact investing strategies seek to provide investors with an opportunity to address these critical issues, while also earning a competitive market rate of return.



RBC partnered with Philanthropy California in 2021 to host a learning series focused on current pressing issues facing local communities that are national and global in nature, and will require a collaborative approach to remedy.

Investments in COVID-19 Recovery and Public Health

Webinar

Investment Strategies to Address Climate Change in California

Webinar

Emerging Initiatives to Build Equitable, Affordable Housing

Webinar

¹American Hospital Association, "Societal Factors that Influence Health, January 2022 [value-initiative-icd-10-code-social-determinants-of-health.pdf](https://www.aha.org/~/media/2022/01/value-initiative-icd-10-code-social-determinants-of-health.pdf) (aha.org)

Summary of our Impact Investing Capabilities

We continue to build out our impact investing capabilities, and have seen meaningful growth over the past year, with assets under management climbing nearly 40% and now exceeding \$2 billion across our flagship strategies:

| Strategy | Key Impact Goals | Unique Features | 2021 AUM |
|-------------------------------------|--|---|-----------------|
| Access Capital Community Investment | To build stronger communities by supporting affordable housing and homeownership, job creation, education, healthcare and sustainable economic development in low-to-moderate income communities | Ability to target investments by geography or by certain demographics | \$1,548,169,273 |
| RBC Impact Bond | Dedicated to creating measurable positive impact across multiple themes, including affordable housing, education, reduced inequalities, and climate change solutions | Alignment with the United Nations Sustainable Development Goals and rigorous impact measurement framework | \$468,061,955 |

In the next several pages, we will dive deeper into both strategies, detailing real-life examples of how our clients have utilized both Access Capital Community Investment and RBC Impact Bond (as well as the many customization options) within their portfolios.

Access Capital Community Investment

Access Capital Community Investment is a place-based investment approach that allows clients to direct their investments to certain communities, cities or states so they can witness community development in their own backyards. Offered in both a mutual fund vehicle as well as customized separate accounts, the Access Capital strategy is dedicated to improving access to resources and wealth creation for LMI families and communities. Investors also have the ability to focus their efforts specifically on underserved Black, Indigenous and People of Color (BIPOC) communities, a theme that has continued to resonate deeply with investors throughout the year.

The desire to align investments in ways that support BIPOC communities echoed so much the values of our client, ServiceNow, that they funded a customized \$100 million separate account that does just that.

Client Spotlight: Aligning Investments with Corporate Values and Diversity & Inclusion Efforts

The COVID-19 pandemic hit many low-income communities hard. About half of lower-income Americans reported household job or wage loss due to COVID-19, according to Pew Research, while more than 100,000 small businesses closed during the pandemic, according to the Washington Post.

One of those business owners impacted was Dan Lyons, owner of Lyons Pharmacy in San Diego, California. After working as a pharmacist for 20 years, Mr. Lyons opened Lyons Pharmacy in the Chula Vista neighborhood of San Diego, a predominantly Latinx neighborhood, just two weeks before the COVID-19 pandemic struck. He chose the location because the residents there lacked a local pharmacy that could provide personal services to meet their needs. Within six months of opening, and with few customers, Mr. Lyons ran through his savings and feared he would have to close.

“We opened two weeks before the pandemic and no one knew we were here,” Mr. Lyons recalled. “We couldn’t do any marketing and we were pretty close to closing.”

Just when he was sure his luck had run out, Mr. Lyons was able to secure a loan that allowed his pharmacy to continue to operate. That loan was originated by CDC Small Business Finance, a mission-based lender focusing on providing access to affordable and responsible capital to small business owners. RBC GAM works with originators like CDC Small Business Finance to purchase high quality, government guaranteed loans backed by the Small Business Administration (SBA) for its impact investing clients. SBA loans are often securitized and sold to investors in order to generate additional capital and to increase the profitability of making loans in underserved areas at affordable rates. Loans like the one made to Lyons Pharmacy are exactly the kind of investment many impact investors want to support – a business providing a valuable service to a low-to-moderate-income BIPOC community.

In January of 2021, ServiceNow, a publicly traded cloud-based platform company – and one of RBC GAM's more recent impact-focused clients – felt the need to help build equitable opportunities for underserved BIPOC communities, with a focus on predominantly Black communities. The company announced the creation of the ServiceNow Racial Equity Fund, investing \$100 million into a customized version of the Access Capital Community Investment Strategy.

This money came from ServiceNow's corporate balance sheet assets and excess liquidity that the company wanted to dedicate towards racial equity-oriented investment goals. This investment was designed to drive more sustainable wealth creation by funding homeownership, entrepreneurship, and neighborhood revitalization within Black communities.

Their investment supports community development efforts in 10 specified cities, including small business loans for companies like Lyons Pharmacy operating in low-income neighborhoods.

Lyons Pharmacy was just one of the small businesses supported by ServiceNow's impact portfolio. Other loans have included a Latinx-owned construction company in a Black neighborhood outside of Orlando, FL, a glass manufacturing company in a predominately BIPOC neighborhood in Southern California, a Black-owned marketing company in Houston, TX, and several other small businesses across the country.

Today, partnerships for change are being created between organizations that likely never would have been involved with impact in years past. For more on unlikely partnerships fostering change, watch these two RBC GAM-hosted webinars featuring **Philanthropy Northwest and The Giving Practice**.



Navigating Your
New Role

Webinar

Beyond deposits

Webinar

Regional Initiative: Local Impact Fixed Income Targeted Investment New Mexico (LIFT NM)

RBC Global Asset Management is continuing our track record of developing partnerships with philanthropic organizations to encourage impact investing in their communities. In May of 2021, RBC GAM partnered with Groundworks New Mexico (formerly New Mexico Association of Grantmakers) and the New Mexico Impact Investment Collaborative (NMIIC) to create Local Impact Fixed Income Targeted Investment New Mexico (LIFT

NM), an impact investing initiative that supports community development in the state of New Mexico. This venture provides a coordinated approach that allows investors to make market-rate investments focused on positively impacting underserved communities and families in the state. It is open to institutional investors and individuals with a minimum investment of \$100k.

Through the partnership with RBC GAM, participants in LIFT NM can invest in high quality, liquid fixed income strategies intended to create positive social and environmental impacts while also seeking a competitive financial return. RBC GAM believes that we can help build stronger communities and build

portfolios of high quality securities that meet investors' needs while increasing the flow of capital to designated communities.²

As of December 31, 2021 the collaborative spans two counties and includes two foundations and a medical center among its initial investors, with more than \$11 million committed to this initiative. The funds will be deployed through RBC GAM's Access Capital Community Investment Strategy. We are excited to see the growth of LIFT NM in 2022 and beyond.

"With this impact investing initiative, we are helping lenders provide loans in under-resourced communities that facilitate wealth creation opportunities for the residents of New Mexico that need it most," said Ron Homer, Chief Impact Investing Strategist at RBC Global Asset Management.

Learn about the LIFT NM Impact Investing Collaborative

[Visit the website](#)

Alongside LIFT NM, we partner with other regional collaboratives. Learn more about impact investing in Minnesota, the Pacific Northwest, and California:

Minnesota Impact Investing Initiative (MI3)

[Visit the website](#)

Philanthropy Northwest Impact Investing Collaborative

[Visit the website](#)

Philanthropy California Impact Investing Collaborative

[Visit the website](#)

²Participants' ability to designate geographies and/or themes is dependent on the amount of their investment and the vehicle through which they invest.

Examples of LIFT NM investments made in 2021:



Supporting small business

Dance & music studio – Albuquerque, NM

- Family-owned studio offering dance, music, and gymnastics programs
- Their mission is to spread the love of performing arts by providing professional dance and music instruction to children of all ages and skill levels
- Instruction focuses on helping children build confidence, value discipline and passion, and form meaningful friendships in their community
- Job creation in a low-income tract



Affordable housing

South Shiprock Apartments – Shiprock, NM

- Provides 212 subsidized rental housing units located on the Navajo Reservation in San Juan County
- To qualify for the housing, a family must verify that their combined income is less than 50% of the Area Median Income (AMI)
- The town consists of roughly 8,200 people, 97% of whom are of Native American descent
- About 39% of the population of Shiprock falls below the poverty line, making the availability of affordable housing essential
- Shiprock and the surrounding land have religious and historical significance to the Navajo people

The year 2021 provided ample opportunity to invest in targeted areas where needs were most evident. Below, we highlight the broad impact made in the strategy across key areas —small business lending, affordable housing and community development — where our investors' dollars were directed towards improving their communities.

Increased impact in 2021:

1,552 ↑ Increased home ownership to 1,552 new LMI home buyers

1,397 ↑ Affordable rental units added across the Access Capital portfolio to communities in need

189 ↑ New Small Business Administration loans purchased

6 ↑ New community economic development projects

Access Capital results

Access Capital has contributed to impact investments in 50 states and the District of Columbia since inception. Highlights include:

 20,143 low- to moderate-income home buyers

 97,794 affordable rental units

 6,071 nursing home facility beds

 27 rural properties

 101 rural enterprises

 823 small business loans

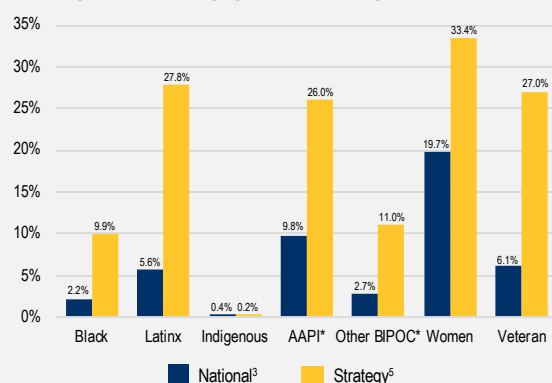
 139 community economic development projects

 17 community-based not-for-profit organizations

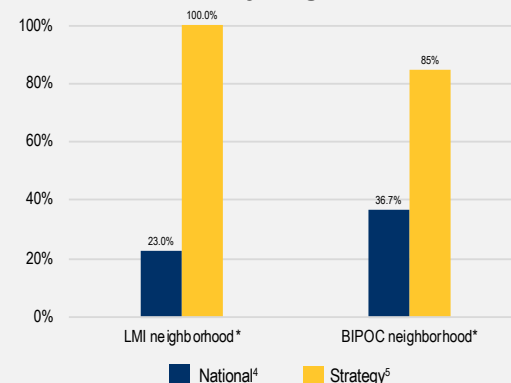
Access Capital Community Investment - 2021 Impact Summary



Entrepreneurship profile comparison

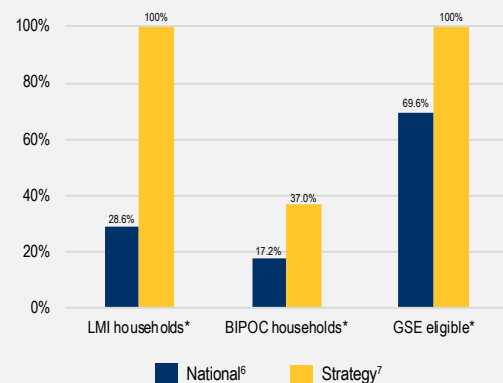


Small businesses by neighborhood served

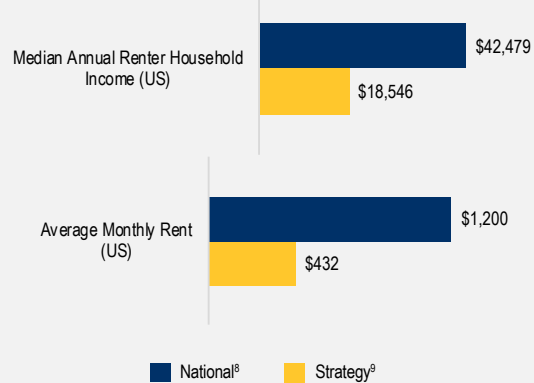


Homeownership Profile Comparison

National vs. Access Capital Strategy



Investing in affordable rental housing



As of 12.31.21

*LMI – Low-to-Moderate Income; BIPOC – Black, Indigenous, and People of Color; AAPI – Asian Americans and Pacific Islanders; GSE – Government-Sponsored Enterprise

³Source: U.S. Small Business Administration Office of Advocacy – Frequently Asked Questions, October 2020; US Small Business Administration Office of Advocacy, 2017 Small Business Profiles for the State and Territories (survey is done every 10 years)

⁴Source: Low-to-moderate income data: Federal Financial Institutions Examination Council (FFIEC), 2019 Community Reinvestment Act Data Fact Sheet; RBC GAM & U.S. Census Bureau. Profile of all small business holdings in the strategy where data is reported.

⁵ RBC GAM, U.S. Census Bureau

⁶ Consumer Financial Protection Bureau, “Data Point: 2019 Mortgage Market Activity Trends Report”, June 2020

⁷ RBC GAM and U.S. Census Bureau data.

Note: Race data for the strategy uses census tract demographics as a proxy for household demographics. (i.e., if a home is located in a tract where more than 50%+ of the population is BIPOC, it is categorized as a BIPOC household for reporting purposes).

⁸ iProperty Management Research, Renter Statistics, 2021

⁹ RBC GAM, US Census Bureau and Department of Housing and Urban Development, Open Data sets “Multi-Family Properties – Assisted” and “HUD Insured Multi-family Properties”, 2021. Note: subsidized housing resident data is only available for assisted housing subsidies under the following HUD programs, public housing, tenant-based, and privately owned, project based.

Investors may have the ability to focus their investments on particular areas of the U.S. as their designated target region, depending on the amount invested. The strategy’s investments may include BIPOC, low and moderate income communities, affordable housing, support of small business and access to health and education. Investments in each of these communities will be dependent on the investors’ election and the strategy may or may not at any given time be invested in each of these preferred geographic focus or target regions.

Additional Access Capital investment examples made across the strategy in 2021:



Healthcare

OB/GYN – Lakewood, NJ

- Female-owned birthing center in moderate-income tract
- 100% female team of certified nurse midwives
- Focuses on empowerment where the expectant mother chooses the birth plan suitable for her based on comfort, care, optimized medicine, and freedom versus the standard hospital approach of a one-size-fits-all protocol
- Clinic has partnership with local hospital so that mothers who choose or require a hospital birth can have their needs met



Affordable multi-family housing

Hollins Street Phoenix – Baltimore, MD

- Affordable rental housing reserved for “very low-income”
- Households must earn either less than 50% or 60% of the area median income
- Located in neighborhood where 87% of the population is Black
- Estimated tract median family income < \$40,000 annually
- The 60 unit property has received funding in part through the Low Income Housing Tax Credit (LIHTC) program



Early learning childcare

Spanish immersion daycare – San Francisco, CA

- Small, high quality, child-centered, play-based, Spanish language immersion program
- Provides care for children aged 16 weeks to 5 years
- 50% woman-owned business
- Focuses on creating a stimulating learning environment with developmentally appropriate indoor and outdoor spaces for exercise and learning
- Job creation and increased access to a valuable service in a moderate-income community
- Located in a predominantly Asian community in San Francisco

RBC Impact Bond

The RBC Impact Bond strategy seeks to maximize positive social and environmental impact within the context of a competitive, high quality fixed income portfolio. Impact is assessed for alignment to the United Nations Sustainable Development Goals, a roadmap to peace and prosperity for all people and the planet. These 17 goals and their underlying targets are a call to action for governments, corporations, philanthropic organizations and individuals to partner in meaningful ways to help address some of the world's biggest problems. While our Impact Bond strategy has deployed assets toward all 17 goals, in the following section we highlight a few specific SDGs and related investments we made this year.

1 NO POVERTY



SDG 1 aims to end poverty in all its forms everywhere by the year 2030. In the United States, over 37 million people live below the Federal Poverty Level,¹⁰ which equates to 11.4% of the total population.¹¹ That percentage has been cut nearly in half since 1960,¹² but in a country with such abundant wealth, there is clearly more work to do. SDG 1 outlines a number of necessary measures to help in this effort, including implementing social protection floors/systems and ensuring equal access to basic services and economic resources. One of the most important elements for combatting poverty is having access to affordable, safe, quality housing. The “American Dream” has always involved being able to afford to buy a home, and within our impact investing strategies, we support those efforts by investing in affordable mortgages to LMI families. It is a key factor for American

Today, low-income populations are disproportionately experiencing the negative effects of climate change and economic and societal disruptions. We believe the best way to help address these increasing inequities is to proactively invest for impact.

[Read more.](#)

families seeking to build wealth and prosperity over the long term.

Equally important, however, is the ability for families to obtain stable, safe and

affordable rental housing when needed. When housing costs are affordable and options are available, there is a lower likelihood of at-risk families experiencing homelessness. Subsidized housing programs have been proven to produce positive outcomes for families, including improved health, job stability, reduced domestic violence, and access to education.¹³ Nationally, there is a significant shortage of affordable rental housing with only 37 affordable and available rental homes existing for every 100 extremely low-income renter households.¹⁴ Supporting organizations that focus on increased access to this type of housing is one of the ways investors can contribute to advancing progress toward the goal of eradicating poverty.



Affordable rental housing

Bridge Housing Corporation

- Mission-driven, non-profit working to strengthen communities and improve lives beginning with affordable housing
- Consistently ranked among the top affordable housing developers in the nation, according to Affordable Housing Finance
- Expertise includes family and senior affordable housing, transit-oriented sustainable development, mixed-use/mixed-income projects and supportive housing/assisted living
- Participated in the development of more than 18,000 homes/apartments in CA, OR and WA, totaling more than \$3 billion
- Stakeholders impacted: Environment, LMI populations, rural populations
- SDG goals impacted:



330% ↑ Increase in impact towards projects aligned with SDG 1 (No Poverty) in the Impact Bond strategy in 2021

¹⁰Federal Poverty Level (FPL) - HealthCare.gov Glossary | HealthCare.gov, ¹¹Income and Poverty in the United States: 2020 ([census.gov](https://www.census.gov/pov/data/income-poverty/)), ¹²fig08 ([census.gov](https://www.census.gov/pov/data/income-poverty/))

¹³Housing-Affordability-and-Stability-Brief.pdf ([usich.gov](https://www.usich.gov/reports/housing-affordability-and-stability-brief/)), ¹⁴The Gap | National Low Income Housing Coalition ([nlihc.org](https://www.nlihc.org/))

4 QUALITY EDUCATION



SDG 4 aims to provide inclusive and equitable quality education and promote lifelong learning opportunities for all. This goal covers all phases of education and learning, ranging from early childhood development, care and pre-primary education to technical and vocational skills for employment and entrepreneurship. It is now more important than ever before to dedicate resources to SDG 4, as the COVID-19 pandemic had a profoundly negative impact on education at all levels and in all countries - some are even billing this as a “generational catastrophe”.¹⁵ According to data from the National Center for Education Statistics (NCES), just over half, or 54%, of all three- and four-year-old children were enrolled in pre-primary programs (preschool and kindergarten) in 2018.¹⁶ Program attendance varies widely among US states. For the year 2017, state percentages ranged from 27.5% of students attending such programs in North Dakota to 66.3% in the state of Connecticut. This means that even in the state with the most students enrolled in these programs, a significant percentage of children do not attend. The United States is one of the wealthiest countries in the world, so it is no surprise that rates of enrollment in some of the world’s poorest countries are significantly lower.

The COVID-19 pandemic erased twenty years of gains made in education within mere months.¹⁷ Closing schools during the pandemic meant that the youngest children were entirely dependent on their at-home caregivers for exposure to learning concepts. More often than not these caregivers were also trying to work from home while simultaneously caring for their children. The importance of enrolling young children in pre-primary education programs cannot be underestimated.

Supporting preschools and childcare centers that provide these much-needed services is one way to prevent our youngest students from falling farther behind.



Supporting early childhood education

Childcare / Preschool – Seaside, CA

- Early childhood development center providing year-round care for children age 6 weeks through first grade
- Woman-owned business
- Facility serves a moderate-income, predominantly BIPOC neighborhood (64% Latinx)
- Mission to provide services & develop community collaborations to create high quality learning experiences for young children
- Affordable tuition with subsidized care available for qualifying families
- Stakeholders impacted: Children, BIPOC individuals & community, women
- SDG goals impacted:



107% ↑ Increase in impact towards projects aligned with SDG 4 (Quality Education) in the Impact Bond strategy in 2021

¹⁵<https://en.unesco.org/news/unesco-warns-generational-catastrophe?msclkid=e8262440ab6f1ecb548c2b57e19e198>, ¹⁶<https://usafacts.org/articles/how-many-children-attend-preschool-us/?msclkid=7fb991f6a92511ec89229c9349663352>, ¹⁷<https://sdgs.un.org/goals/goal4>

7 AFFORDABLE AND CLEAN ENERGY



SDG 7 seeks to increase access to affordable, reliable, sustainable and modern energy for all. While the primary goal within SDG 7 relates to energy access, there are also targets around increasing the share of renewable energy and the rate of improvement in energy efficiency. Global access to electricity has increased materially over the past decade; however, the United Nations estimates that 759 million people are still without access as of 2019 and 660 million may still be without access in the year 2030.¹⁸ Increasing access to electrical power is essential to improving the lives of millions around the world. The need is particularly acute when considering food preparation and cooking methods. Without access to clean cooking fuels, global households risk high levels of pollution and heightened risk for health issues such as cardiovascular and respiratory illness. Granted, the number of those without

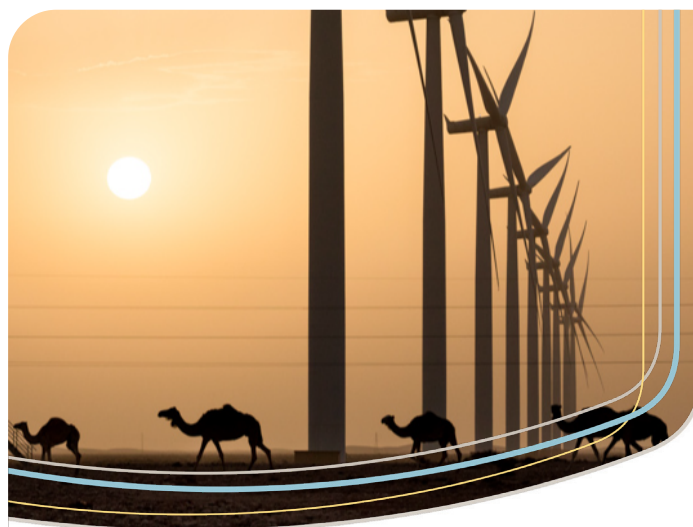
Investing in renewable energies helps address climate change. Additionally “doing no harm” is equally important and underscores why measurement is key in understanding our true impact as investors. Brian Svendahl and Mindy Frye discussed this issue with Institutional Investor in late 2021.

Watch the webinar.

electricity is quite low in the US, gains still need to be made in lower-income countries such as Pakistan, Indonesia and India.

Increasing access to clean energy

is imperative, as is increasing the percentage of renewable energy used around the world. According to the UN, the share of renewable energy in total final energy consumption increased only 1 percentage point over eight years - from 16% in 2010 to 17% in 2018.¹⁹ Equally concerning is the portion of renewable energy consumption during those years, which rose only 2.5% over ten years. As the world continues to work together towards increasing renewable energy sources and methods, we at RBC GAM can play a role as well.



Supporting renewable energy

US International Development Finance Corporation – Egypt

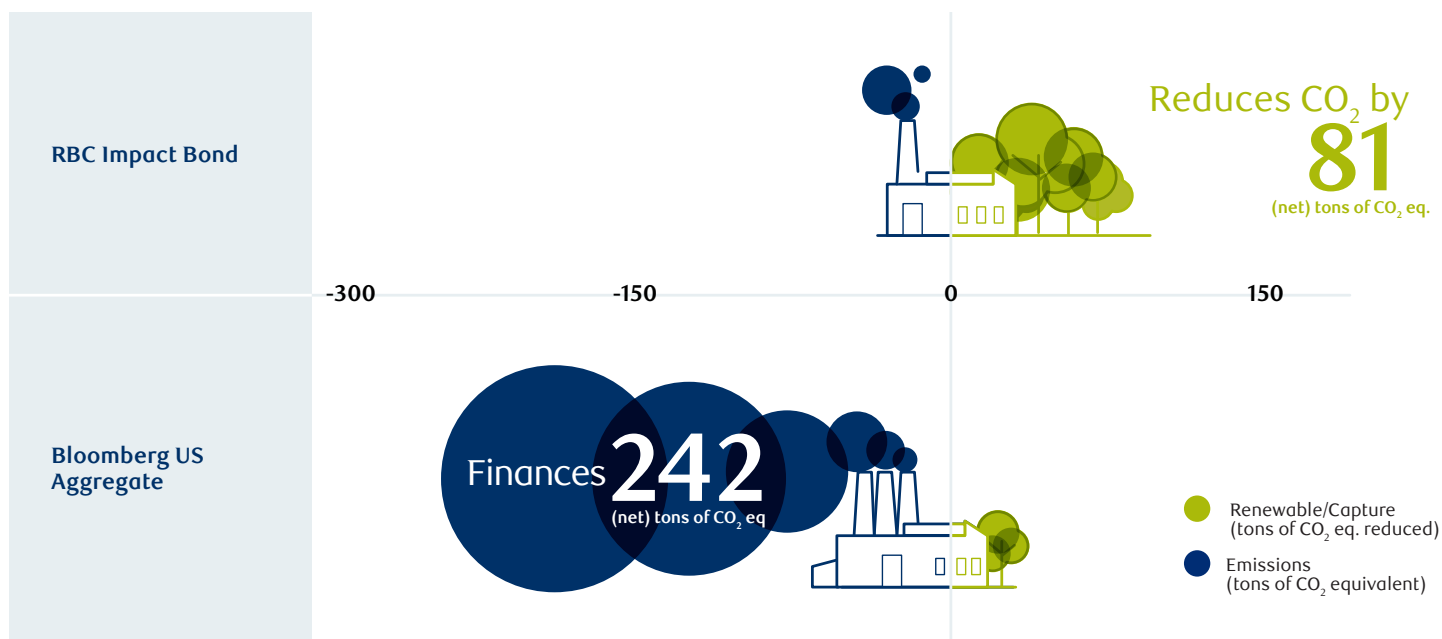
- Financed through the US International Development Finance Corporation (DFC), Lekela Power will develop, construct, and operate 96 wind turbines that will generate 252 mega watts of clean energy
- The wind farm will be built in the Eastern Desert of Egypt
- Project will contribute to Egypt’s goal of growing renewable sources of energy to 37% by 2035
- Project will also help alleviate electricity blackouts, natural gas shortages, and aging infrastructure as electricity consumption is projected to increase 6% year-over-year for the next 10 years
- Stakeholders impacted: Environment, rural populations
- SDG goals impacted:



\$40.5M ↑ Increase in impact towards projects aligned with SDG 7 (Affordable & Clean Energy) in the Impact Bond strategy in 2021.

¹⁸<https://sdgs.un.org/goals/goal7>, ¹⁹ibid

Measuring climate impact: net-carbon negative



As of 12.31.21

Source: RBC GAM US. Comparison of the carbon footprint for the Bloomberg U.S. Aggregate Index vs. Impact Bond, per \$1M invested. The comparison is based on the representative account, which is the account in the composite that most closely reflects the current portfolio management style for this strategy. Impact is measured using the investment team's proprietary impact measurement methodology. For more information on the impact measurement methodology, please contact us at <https://us.rbcgam.com/contact-us/form/default.fs>. The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index that measures the performance of U.S. investment-grade fixed income securities. An investor may not invest directly in this index. We define net carbon negative as occurring when the fund's avoided GHG emissions exceed the fund's GHG emissions produced, calculated per million dollars invested (unit = t CO₂ equivalent/\$M invested). Calculations are inclusive of all fund assets, excluding treasury. GHG emissions (t CO₂ eq.) are inclusive of Scope 1 and 2 emissions, and may consider Scope 3 emissions when applicable and available. Multiple data sources are used for GHG emissions data and include: reported data from issuers, reported and estimated data from third party vendors, and sector- and industry-level data from government and academic entities. Gaps in data may exist as climate data and disclosures continue to evolve. Our calculation methodology considers relevant standards and practices, and is proprietary to the Impact Investment team. We will regularly review and enhance our data inputs and calculation methodology to reflect improvements in climate data availability and quality, and advancements in the measurement of climate impact. For more information and details on our methodology, please contact us at <https://institutional.rbcgam.com/en/us/contact/>

We hold ourselves accountable and provide climate-related disclosures. We measure, monitor and disclose the carbon emissions of our assets under management (AUM) using established methodologies and best practices.

Utilizing our proprietary impact measurement framework, we are able to demonstrate the carbon footprint of a \$1M investment in the strategy compared to a similar investment in the general fixed income market.

Supporting organizations that focus on improving access to renewable energy around the world is one of the ways investors can begin to mitigate the negative effects of climate change.

\$90.6M ↑ Increase in impact towards projects aligned with SDG 13 (Climate Action) in the Impact Bond strategy in 2021.

Impact Ecosystem/Partnerships

A strategic component of our efforts in building customized portfolios to meet our clients' investment and impact goals is partnering with responsible lenders active in the space such as Community Development Financial Institutions (CDFIs), which are private financial institutions with a mission to deliver increased access to capital to low-income and other disadvantaged people in their communities. CDFIs operate in every state as well as the District of Columbia and they serve both urban and rural communities. They have become an indispensable part of community development efforts, as they are deeply rooted in their communities and truly have an understanding of the unique challenges and opportunities each community faces. We are constantly seeking innovative ways to work with these types of lenders to scale necessary lending services to underserved individuals and communities. CDFI-originated loans (largely in the small business sector) are a natural fit for our impact strategies given they are often made to lower-income and underserved borrowers, which are key stakeholders our investors want to positively impact. One CDFI originated loan we acquired this year helped finance a small business focused on creating a supportive network and apprenticeships for African Americans in the construction industry.

This organization is based in Southern California and has 17 affiliate chapters in five states. They were founded in 1982 as a community-based building trade association organized to promote equal opportunity for Blacks in construction. They were given \$1.5 million through the Community Development Block Grant Programs from the City of San Diego, as well as a loan originated by a California-based CDFI. The funding was used to build the headquarters and training center for San Diego's inner-city youth and citizens in support of the needs of training the unskilled. The association provides an invaluable service to its community in that its members conduct business within their respective neighborhoods to increase low-income affordable housing and foster small business development in these areas.



Supporting Black entrepreneurs

Community-based association, San Diego, CA

- Non-profit, community-based association headquartered in southern California with 17 affiliated chapters in five states
- Apprenticeship and networking program aims to create economic opportunities for African Americans in the construction industry
- Consist of contractors seeking to do business with their respective neighborhoods to increase low-income affordable housing and small business development
- Loan was CDFI (Community Development Financial Institution) originated by CDC Small Business Lending which "provides access to transformative products, services, and advocacy to ensure ALL small-businesses have the opportunity to succeed and grow"
- Stakeholders impacted: LMI individuals/communities, Black/African American
- SDG goals impacted:

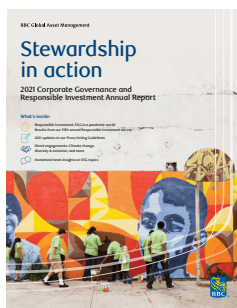


What's Next – 2022 & Beyond

We saw significant recovery in 2021 with much of the economic activity returning to some level of normalcy. The global pandemic produced stark disparities in economic impact and health outcomes within low-income and BIPOC communities, and these communities have not experienced the same degree of recovery. This has resulted in an exacerbation of the already troublesome issue of income inequality in America. In the coming months and years, we will continue to partner with clients to make targeted investments that aim to reduce these inequalities and stimulate positive social outcomes.

Another area of focus for 2022 will be in the continued expansion of our capabilities around impact measurement and reporting in an effort to provide transparency around the social and environmental impact of our portfolios. Investors have grown increasingly frustrated with the quality of available data, and the difficulty in assessing managers' approaches to ESG and impact. We are supportive of the industry's increased scrutiny around ESG methodologies, and the issue of "green-washing", and expect to see augmented regulation and more explicit disclosure requirements in the future.

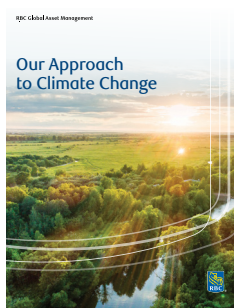
Related resources



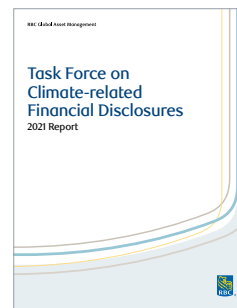
[2021 Corporate Governance and Responsible Investing Annual Report](#)



[Our Approach to Responsible Investing](#)



[RBC GAM's Approach to Climate Change Report](#)



[2021 Task Force on Climate-related Financial Disclosures Report](#)



[2020 Impact investing Annual Report](#)



[2021 Survey Results](#)

Since 2017, RBC GAM has conducted an annual global Responsible Investment survey focusing on Environment, Social, Governance, and Impact issues. The survey asks key decision makers in the U.S., Canada, Europe and Asia for their thoughts on topics trending within the responsible investment universe.

Additional information

Corporate citizenship at RBC

RBC GAM has a dedicated Corporate Governance and Responsible Investment (CGRI) team whose role is to advance responsible investment strategies and initiatives across the firm by working with investment teams on ESG integration and active stewardship, advancing ESG knowledge across the investment platform, executing the firm's proxy voting, collaborating with like-minded investor initiatives, and engaging with lawmakers and regulators on material responsible investment issues.

RBC Corporate Affiliations

- Dow Jones Sustainability North American Index member
- FTSE4Good Index member
- Best Workplaces in Canada - Great Place to Work® Institute Canada
- Top 100 Global Companies for Gender Equality - Equileap
- Member of the Bloomberg Gender-Equality Index
- Member of the Refinitiv Diversity and Inclusion Index

Commitments & Partnerships

- Business Renewable Centre Canada
- Carbon Pricing Leadership Coalition
- CDP
- Climate Bond Initiative
- Futurpreneur
- Green Bond Principles
- Public Policy Forum
- RBC Emerging Artists Project
- RBC Tech for Nature
- RBC Youth Mental Health Project
- Smart Prosperity
- TCFD Recommendations
- The Equator Principles
- United Nations Environment Programme - Finance Initiative
- United Nations Principles for Responsible Investment

RBC ESG Strategies & Disclosures

- 2017 Climate Change Position & Disclosure Statement
- RBC Climate Blueprint
- 2021 Diversity and Inclusion
- Modern Slavery Act (MSA) Statement
- 2021 RBC ESG Performance Report
- 2021 RBC TCFD Report

Responsible investment commitments at RBC GAM

Collaborations



30% Club Canadian Investor Group

RBC GAM is a signatory to the 30% Club Canadian Investor Group. In 2017, this coalition of Canada's largest institutional investors set an objective to achieve a minimum of 30% women on the boards and in senior management roles of S&P/TSX Composite Index companies by 2022. For more information on the investor group's commitment to gender diversity, please see its [Statement of Intent](#).



Alternative Investment Management Association

BlueBay Asset Management (BlueBay) is a member of the Alternative Investment Manager Association (AIMA). AIMA is the global representative of the alternative investment industry and draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides.



Canadian Coalition for Good Governance

RBC GAM is a founding member of Canadian Coalition for Good Governance (CCGG). The CCGG promotes good governance practices in Canadian public companies and works to improve the regulatory environment to best align the interests of boards and management with their shareholders. Members of RBC GAM's CGRI team serve on the Public Policy and Environmental & Social committees.



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.



Climate Action 100+

RBC GAM and BlueBay are signatories to the Climate Action 100+. This investor 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.



Climate Engagement Canada

RBC GAM is a founding participant of Climate Engagement Canada (CEC). The CEC is 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 serves on the Technical Steering Committee.



Council of Institutional Investors

RBC GAM is a member of the Council of Institutional Investors (CII). The CII aims to promote effective corporate governance, strong shareholder rights and vibrant, transparent and fair capital markets.



Emerging Markets Investor Alliance

BlueBay is a member of the Emerging Markets Investor Alliance (EMIA). The EMIA 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.



European Leveraged Finance Association

BlueBay is a member of the European Leveraged Finance Association. The ELFA aims to seek a more transparent, efficient, and resilient leveraged finance market.



Farm Animal Investment Risk & Return

BlueBay is a member of the Farm Animal Investment Risk & Return (FAIRR). FAIRR is a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production.



Global Impact Investing Network

RBC GAM is a member of the Global Impact Investing Network (GIIN). The GIIN is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world.



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 markets and sustainable economies worldwide. RBC GAM's head of CGRI is also a member of the ICGN Transparency and Disclosure Committee.



Investor Stewardship Group

RBC GAM is a founding member of the Investor Stewardship Group (ISG). The ISG is a collective of institutional investors brought together to establish a framework of basic standards of investment stewardship for institutional investors and corporate governance principles for U.S. listed companies. The Head of the CGRI team is a member of the board.



Investment Association

BlueBay is a member of the Investment Association. The Investment Association is the United Kingdom's membership association for investment managers.



Investors Policy Dialogue on Deforestation (IPDD)

RBC GAM is a supporting investor of the IPDD in Brazil, which is co-chaired by BlueBay. The IPDD initiative aims to coordinate a public policy dialogue with authorities and monitor developments to assess exposure to financial risks arising from deforestation.



Mission Investors Exchange

RBC GAM is a member of the Mission Investors Exchange, the leading impact investing network for foundations dedicated to deploying capital for social and environmental change.



Responsible Investment Association

RBC GAM is a sustaining member of the Responsible Investment Association (RIA). The RIA is Canada's membership association for responsible investment. A member of RBC GAM's CGRI team is the Vice-Chair of the RIA board. RBC GAM is a proud signatory to the Canadian Investor Statement on Diversity and Inclusion (read the [full statement](#)) and the Canadian Investor Statement on Climate Change (read the [full statement](#)).



Standards Board for Alternative Investments

BlueBay is a member of the Standards Board for Alternative Investments (SBAI). The SBAI 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.



Sustainability Accounting Standards Board

RBC GAM and BlueBay are members 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. A member of RBC GAM's CGRI team sits on the Investor Advisory Group.



UN Principles for Responsible Investment

RBC GAM and BlueBay are signatories to the UN Principles for Responsible Investment (PRI). The PRI is a leading global network for investors committed to integrating ESG considerations into their investment practices and ownership policies. We are committed to putting the PRI's six Principles of Responsible Investment into practice and believe that they are aligned with our existing approach to responsible investment. A member of RBC GAM's Corporate Governance and Responsible Investment team sits on the Policy Committee. We are also a signatory to the [PRI Statement on ESG in Credit Ratings](#), which encourages credit rating agencies to proactively take ESG factors into consideration for relevant issuers.



US SIF - The Forum for Sustainable and Responsible Investment

RBC GAM is an institutional member of US SIF. US SIF is the leading voice advancing sustainable, responsible and impact investing across all asset classes. Its mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts.

Commitments



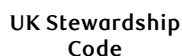
Japanese Stewardship Code

RBC GAM is a signatory to the Japanese Stewardship Code. The Code sets out the principles that institutional investors should adhere to in order to fulfill their stewardship responsibilities to clients, beneficiaries and investee companies.



Task Force on Climate-related Financial Disclosures

RBC GAM and BlueBay are supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and RBC GAM commits to producing annual climate-related financial risk disclosures aligned with the recommendations of the TCFD.



UK Stewardship Code

RBC GAM and BlueBay are signatories to the UK Stewardship Code (2020). The Code aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders. [RBC GAM's response](#) and [BlueBay's response](#) to the UK Stewardship Code have met the expected standard of reporting of the Financial Reporting Council (FRC).

Impact investing team biographies



Brian Svendahl, CFA
Senior Portfolio Manager, U.S. Fixed Income

Brian is a senior portfolio manager within the BlueBay Fixed Income team. He has been the lead portfolio manager for RBC GAM's impact investing strategies since 2006 along with many government and mortgage strategies. Brian joined RBC GAM in 2005 and has co-led the Minneapolis-based fixed income group since 2012. He had previously held several risk management, research, and trading positions with a large American multinational financial services company and first started in the investment industry in 1992.



Mindy Frye
Institutional Portfolio Manager

Mindy is an institutional portfolio manager within our fixed income group's client service team. She serves as the day-to-day point of contact for our institutional impact investing clients while working closely with the fixed income investment team to pursue each client's impact goals. She also serves as a product specialist for our impact investing strategies and supports the efforts of our Chief Strategist of Impact Investing. Before joining RBC GAM in 2017, Mindy was a senior manager at a global, U.S.-based asset management firm where she led a team responsible for performance and asset reporting; she also worked as senior investment analyst at a private investment firm and as a manager of client service for a registered investment advisory. Mindy started in the financial industry in 2002. She holds FINRA Series 7 and 63 licenses.



Eric Hathaway, CFA
Senior Portfolio Manager, U.S. Fixed Income

Eric Hathaway is a member of the mortgage and government research team in our US fixed income group. He oversees the asset-backed securities effort at RBC GAM-US as well as supporting our mortgage-backed mandates. He also plays a key role in managing our impact investing strategies. He joined RBC GAM-US in 2006 and served as an analyst researching all areas of the rates market before being promoted to Portfolio Manager. Prior to joining RBC, Eric held various positions at Piper Jaffray in treasury and risk management. He has worked in the investment industry since 2001. He earned a BA in business administration from the University of South Dakota and an MBA from the University of Minnesota Carlson School of Management. Eric is a CFA charterholder.



Valinie A. Dayaljee
Assistant Portfolio Manager

Valinie is a trader on the BlueBay Fixed Income team focusing primarily on municipal bonds but also other government and money market instruments. Before joining her current team, Valinie was an investment policy and data analyst in the firm's Investment Policy group. Prior to joining RBC GAM in 2015, she had worked on the funding desk of a Minneapolis-based bank holding company as an operations funding associate. Valinie started her career in the investment industry in 2014.



Ao Vang
Client Service Analyst

Ao Vang is a client service analyst within our fixed income group's client service team. She works with our institutional impact investing clients while collaborating closely with the fixed income investment team to pursue each client's impact goals. She joined our impact investing team in 2021. She originally worked at RBC GAM from 2015 to 2020 as a relationship manager supporting our efforts to grow our public entities business. She has also worked as a relationship manager and in fund valuation for other investment firms. She joined the financial industry in 2011.



Ronald A. Homer
Chief Strategist, US Impact Investing & President, Access Capital Community Investment Fund

Ron Homer leads RBC GAM's impact investing effort. Ron is responsible for servicing the firm's impact investing clients and ensuring that investment solutions are implemented based on each client's customized impact requirements. Ron's background and extensive experience in community investing enables him to identify a broad range of impact investment solutions for clients. Before joining RBC GAM-US, Ron was co-founder and chief executive officer of Access Capital Strategies LLC, an investment adviser specializing in community investments that was acquired by RBC GAM-US in 2008. Previously, Ron enjoyed an extensive banking career including thirteen years as president and chief executive officer of the Boston Bank of Commerce. As an industry veteran who has worked in the financial services industry since 1969, Ron is often sought to consult with leading government officials on a variety of community impact issues. Ron chaired the board of MassHousing—an industry leader among state housing finance agencies—since the height of the housing crisis in 2009 through 2016. He has also held several other leadership positions for industry trade associations and served on the boards of numerous organizations including Sallie Mae, Nynex Telephone, the Boston Foundation. Ron is vice chair and a founding board member for the Initiative for a Competitive Inner City, a research organization founded and chaired by Harvard Professor Michael Porter to promote private sector investment in America's inner cities. He earned a BA from the University of Notre Dame, an MBA from the University of Rochester, and holds FINRA Series 7 and 63 licenses.



Raye C. Kanzenbach, CFA
Senior Portfolio Manager, U.S. Fixed Income

Raye is a senior portfolio manager within the BlueBay Fixed Income team. In this role, he is responsible for researching municipal bond securities. He is also a portfolio manager for several tax-exempt and community investing mandates. Raye has worked in fixed income research and portfolio management since joining the firm in 1983. Previously, he had worked at a Minnesota-based regional bank holding company, where he managed municipal bond and money market funds in addition to supervising municipal and credit research. Earlier, he worked as an investment officer at an insurance company. Raye started his career in the investment industry in 1973.



Teri Savage
Senior Trader, U.S. Fixed Income

BBA (Finance, Investment, and Banking & Marketing) (1998), University of Wisconsin, Madison, U.S. Teri is a senior trader within the BlueBay Fixed income team responsible for trades in mortgage-backed securities (MBS) and asset-backed securities (ABS). Before joining RBC GAM in 2021, Teri had worked with a global investment manager in New York, where she had focused on managing and trading securitized products for multi-sector portfolios. She has worked in the investment industry since 1998.



Karen Ly
Analyst, U.S. Fixed Income

Karen is an analyst within the BlueBay Fixed Income team, serving a dual role of both data analyst and money market trader. She provides insight into markets, portfolios, and impact investment using data science to analyze and interpret large data sets. She started her career in the investment industry with RBC GAM in 2017.

RBC Global Asset Management



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