

# Our Approach to Climate Change



# Introduction

RBC Global Asset Management (RBC GAM)<sup>1</sup> recognizes the importance of the global goal of achieving net-zero emissions by 2050 or sooner, in order to mitigate climate-related risks. We consider material climate change issues in our ESG integration and active stewardship processes, for applicable types of investments<sup>2</sup>.

As an asset manager and fiduciary of our clients' assets, we have an important responsibility to consider all material factors that may impact the risk-adjusted returns of our investments. At RBC GAM, we believe that integrating environmental, social, and governance (ESG) factors into our investment approach, where applicable, empowers us to enhance the long-term, risk-adjusted performance of our portfolios and supports our fiduciary duty. Climate change is one such factor.

We recognize the importance of the principles of the Paris Agreement and the international goal of holding temperature rise to “well-below 2°C”, and preferably to no more than 1.5°C by the end of the century, in order to mitigate climate-related risks. According to the best available science, in order to meet this goal, greenhouse gas (GHG) emissions must decline by approximately 45% by 2030, relative to 2010 levels, and reach net-zero emissions by 2050 or sooner.<sup>3</sup>

The impacts of climate change are systemic and unprecedented. They're also 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. Governments, companies, consumers, and investors each have a role to play in addressing climate-related risks. As asset managers and investors, and stewards of our clients' assets, we believe considering material climate-related risks and opportunities in our investment approach, where applicable, can enhance our long-term risk-adjusted returns.

Board oversight, management accountability, and cross-enterprise collaboration are essential for effective implementation. It is for this reason that RBC GAM's Approach to Climate Change has been approved by the RBC GAM Leadership Committee, which reviews and monitors progress against our commitments on an annual basis. The Responsible Investment (RI) team and investment teams, which both report directly to the Chief Investment Officer (CIO), are primarily responsible for implementation.

**“We take our responsibility to secure a better financial future for our clients and their beneficiaries seriously and considering the financial impacts of climate change is an essential part of fulfilling that responsibility.”**

Damon Williams, Chief Executive Officer, RBC GAM

**“Climate change will impact economies, markets, and societies, posing both risks and opportunities for investors. We are committed to continually assessing climate metrics and forward-looking methodologies to inform our investment processes and to seek to maximize risk-adjusted returns for our clients.”**

Daniel E. Chornous, Chief Investment Officer, RBC GAM

<sup>1</sup> In this document, references to RBC GAM (we, our or us) include the following affiliates: BlueBay Asset Management LLP, RBC Global Asset Management Inc. (including PH&N Institutional), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, and RBC Global Asset Management (Asia) Limited, which are separate, but affiliated subsidiaries of RBC. For clarity, RBC Indigo Asset Management Inc. is not covered by this document.

<sup>2</sup> In this document, references to our investment approach, applicable types of investments, and applicable assets under management (AUM) exclude certain investment strategies, asset classes, exposure or security types that do not integrate ESG factors. Examples of what would not integrate ESG factors include, but are not limited to, money market, buy-and-maintain, passive, and certain third-party sub-advised strategies or certain currency or derivative instruments. In most, if not all, of these instances, there is no engagement with issuers by RBC GAM. This document discusses our investments that integrate ESG factors.

<sup>3</sup> Intergovernmental Panel on Climate Change (2019), [Link](#)



# Our Approach to Climate Change



## Our beliefs

- Climate change is a pressing issue that may impact issuers and the economies, markets, and society in which they operate.
- Integration of material ESG factors, where applicable and inclusive of climate change, can enhance long-term risk-adjusted returns.
- Active stewardship can be an effective way for investors to drive real world, economy-wide emissions reductions, while also meeting our fiduciary duty to clients.



## Our commitments

- We recognize the importance of the global goal of achieving net-zero emissions by 2050 or sooner, in order to mitigate climate-related risks.
- Our investment teams integrate material climate change factors into their investment processes for applicable types of investments.
- We analyze issuer and portfolio-level climate risks and opportunities, for applicable types of investments.
- We use active stewardship to encourage the management of material climate-related risks and opportunities, where applicable.
- We collaborate with like-minded investors, where interests are aligned.
- We provide climate-based solutions to meet client needs.
- We provide transparent disclosures on climate change.
- We reduce emissions from our own operations to advance our ambition to achieve net-zero.<sup>4</sup>



## Our actions

- We use a broad range of climate data and other inputs to integrate material climate factors into our investment decisions for applicable types of investments.
- We measure, monitor, and disclose the carbon emissions of our applicable assets under management, and conduct climate scenario analysis for applicable types of investments.
- We conduct climate research and build climate expertise across investment and other platforms.
- We convey our views on climate change through proxy voting, as per the [RBC GAM Proxy Voting Guidelines](#), and disclose our proxy voting records on our regional websites in accordance with applicable regulations.
- We are a member of Climate Action 100+ and Climate Engagement Canada.
- We have published an annual climate report, guided by the recommendations of the TCFD, since 2020.

<sup>4</sup> As described in the [RBC Climate Blueprint](#).

# Integrating climate change

Our Approach to Climate Change aligns with the three pillars established in Our Approach to Responsible Investment.



## ESG integration

We integrate financially material climate-related risks and opportunities in our investment processes, for applicable types of investments.



## Active stewardship

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



## Client-driven solutions and reporting

We align our climate-based solutions with client demand and provide transparent and meaningful reporting on climate-related issues.

## Addressing climate change in our operations

Reduce emissions from our own operations to advance our ambition to achieve net-zero.<sup>5</sup>

Reduce greenhouse gas (GHG) emissions by 70% by 2025.<sup>5</sup>  
Increase our sourcing of electricity from renewable and non-emitting sources to 100% by 2025.<sup>5</sup>

Minimize waste at RBC GAM through demand management and recycling of electronic, paper, and plastic waste.

<sup>5</sup> As described in the [RBC Climate Blueprint](#)

# Key commitments

## We integrate material climate change factors in our investment processes for applicable types of investments.

- We use climate data and analytics to identify, assess, and monitor the impacts of climate risks and opportunities. This includes carbon emissions, transition risks and opportunities, issuers' climate targets, temperate alignment, and climate scenario analysis.
- We expect all issuers 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.
- Where climate represents a financially material risk, we expect issuers in which we are invested to establish credible targets and to develop action plans aligned with achieving net-zero emissions by 2050 or sooner. We also expect them to demonstrate progress in meeting their commitments.
- We use active stewardship to encourage the management of material climate-related risks and opportunities. This includes establishing a plan to actively engage with issuers for whom we believe climate change is a material financial risk if they do not have a net-zero target and action plan or are lagging their peers.
- We convey our views on climate change through proxy voting, as per the [RBC GAM Proxy Voting Guidelines](#), and disclose our proxy voting records on our regional websites in accordance with applicable regulations.
- We continue to assess the role of land use dynamics in climate change mitigation and adaptation, and will establish a plan to engage with issuers on material land-use impacts, where applicable.

## We provide clients with climate-based solutions and transparent reporting.

- We continue to work with institutional clients to support them in achieving climate objectives within their portfolios.
- We continue to provide transparent reporting to clients on ESG and climate-related factors, where possible, and seek to continuously improve our reporting.
- We continue to explore new products and opportunities related to the transition to a net-zero economy.

## We hold ourselves accountable and provide climate-related disclosures.

- Responsible investment, inclusive of climate change, is a strategic priority.
- The Chief Investment Officer is responsible for overseeing the investment strategies, policies, and performance across all affiliates. This is inclusive of responsible investment.
- We are a signatory to the [COP28 Declaration of Support](#) for the ISSB's Climate Standard, which incorporates the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We publish an annual climate report, guided by the recommendations of the TCFD.
- We measure, monitor and disclose the carbon emissions of our applicable assets under management (AUM) using established methodologies and best practices. We conduct climate scenario analysis to assess the impact of different climate pathways on applicable investments, including 1.5°C and 2°C scenarios, and disclose these accordingly.

## We address net-zero in our own operations.

- The performance, goals, and reporting of operational GHG emissions is established as part of RBC's climate strategy, which is inclusive of RBC GAM.
- RBC is committed to the goal of achieving net-zero in its operations. To advance this ambition RBC set two goals: to reduce market-based GHG emissions by 70% with a baseline year of 2018<sup>6</sup>, and to increase its sourcing of electricity from renewable and non-emitting sources to 100%<sup>7</sup>, both by 2025<sup>8</sup>.
- RBC joined the Net-Zero Banking Alliance (NZBA) and committed to net-zero emissions in lending by 2050.<sup>9</sup>

<sup>6</sup> Inclusive of our global operations, Scope 1, 2 (market-based) and 3 (business travel) reported GHG emissions, using a baseline of 2018.

<sup>7</sup> Renewable electricity is defined as energy produced from renewable sources such as hydroelectricity, wind and solar. Non-emitting sources include nuclear power generation. The performance towards our goal to achieve 100% renewable and non-emitting electricity consumption by 2025 is calculated based on grid mix data and the Renewable Energy Credits we either purchase from third-parties or receive from our two renewable energy Power Purchasing Agreements (PPAs). A PPA is a long-term financial agreement between a renewable energy buyer and a renewable energy seller where the buyer guarantees the seller a fixed price for renewable energy from the project.

<sup>8</sup> As described in the RBC Climate Blueprint.

<sup>9</sup> In joining the Net-Zero Banking Alliance (NZBA), member banks commit to transition operational and attributable GHG emissions from high-emitting sectors in their lending and investment portfolios to align with pathways to net-zero by mid-century, or sooner. Please see the [NZBA website](#) for more details.

## Perspectives on fossil fuel investment

RBC GAM generally does not exclude any particular investment or industry based on ESG or climate-related factors alone. However, we do offer specific strategies that apply exclusions, which include fossil fuel free strategies that are available in some geographies.

We also work with our institutional clients to provide solutions that meet their needs, which may include specific exclusions and approaches for managing climate-related risks and opportunities. We continue to work with our clients to improve transparency and reporting on climate-related risks and opportunities, and to expand investment solutions.

Achieving the global goal of net-zero emissions by 2050 or sooner will require GHG emission reductions across sectors, as well as structural changes to our fossil fuel based energy and transportation systems and our energy-intensive manufacturing and building sectors. RBC GAM recognizes the potentially material climate-related risks and opportunities that the energy sector faces, and we consider these factors as part of our investment decisions for applicable types of investments. This may include consideration of issuer and portfolio-level emissions (absolute- and intensity-based), exposure to asset stranding risk, and issuers' emission reduction targets and progress in achieving these, where material.

We apply a science-based approach to measure and monitor the temperature pathway and net-zero scenario alignment of portfolios, and disclose key climate metrics in our annual climate report.

RBC GAM expects issuers across sectors and geographies, for whom we believe climate change is a material financial risk, to establish net-zero targets and action plans. We believe active stewardship can be an effective way for investors to drive real world, economy-wide emissions reductions, while also meeting our fiduciary duty to clients. Although divestment is always an option that investment teams may consider, our preference is to engage with issuers on material climate-related issues. This includes both individual and collective engagement, where applicable, with the boards and management of companies so that we may better understand their strategies, encourage effective management of material risks, and require enhanced transparency on material issues. As signatories to the UN Principles for Responsible Investment, Climate Action 100+, and Climate Engagement Canada, we also work collaboratively with like-minded investors to engage with corporate issuers for whom we believe climate change and the transition to net-zero are material investment risks.



# RBC Global Asset Management

For more information about our approach, visit [rbcgam.com/ri](https://rbcgam.com/ri).

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