APPROACH TO RESPONSIBLE INVESTMENT

RBC Global Asset Management

Updated May 2018

Our approach to responsible investment

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 for themselves or for the beneficiaries of the funds they manage. Our principal duty is to maximize investment returns for our clients without undue risk of loss, within the investment limits described in the relevant investment mandate.

RBC GAM believes that by acting as an active, engaged and responsible owner we are better able to enhance the long-term, sustainable performance of our portfolios. We also recognize that the rights we have as a large global investor come with the obligation to actively use those rights in a responsible way. This policy sets out our overall approach to responsible investment, including how we integrate environmental, social and governance (ESG) issues throughout our investment process across all asset classes and how we will work as active, engaged owners.

*In this document, references to RBC GAM include the following affiliates: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited and RBC Investment Management (Asia) Limited.

Integrating ESG

We believe that the proper disclosure and consideration of ESG risks and opportunities by the companies or countries in which we are invested will enhance the long term, sustainable performance of those investments. Accordingly, we seek to integrate ESG factors into our investment process when doing so may have a material impact on our investment risk or return. As a general rule, we will not exclude any particular investment or industry based on ESG factors alone. We believe it is important to consider those factors within our overall investment process rather than unduly narrowing the universe of potential investments.

We offer our clients a number of socially responsible investment (SRI) strategies which do exclude some investments based on ESG factors. Those strategies integrate social values into the investment process by screening potential investments based on their ESG policies and practices or the industries in which they operate. We also offer our institutional clients the ability to create a custom ESG screen for their segregated portfolios.

What is ESG?

The degree to which ESG factors are relevant and material to an investment depends on the company, the industry in which it operates and the nature of the investment vehicle for which it is purchased. In general, we encourage consideration of the following ESG factors when they have the potential to impact the value of our investment:

Environmental: Environmental factors include the impact of a company's activities on the climate, including greenhouse gas emissions and the risks and opportunities presented by climate change, energy efficiency, pollution, water and waste management, site rehabilitation, biodiversity and habitat protection.

Social: Social factors include human rights, community consent/impact, respect for indigenous peoples, employee relations and working conditions, discrimination, child labour and forced labour, health & safety and consumer relations.

Governance: Governance factors include the alignment of interests between executives and shareholders, executive compensation, board independence and composition, board accountability, shareholder rights, transparency/disclosure, anti-corruption measures, financial policies and the protection of private property rights.

Good corporate governance practices are particularly important for all of our investments across all industries and markets. We believe that companies with good governance structures are better able to focus on the company's long-term, sustainable growth and pose less risk for shareholders. Good corporate governance is also essential to properly align the interests of management with those of shareholders. We believe that the quality of a company's corporate governance is relevant to all other environmental and social factors, as poor management or disclosure of environmental or social risks and opportunities may indicate weak board oversight of risk, strategy and management and may also be a sign of poor management quality. For fixed income investments, the governance practices of an issuer (whether sovereign or corporate) may be material to creditworthiness and risk.

We recognize the need to be pragmatic when assessing some ESG factors, as legal or cultural differences in some markets may result in different accepted practices. We seek to understand each issuer individually and through the lens of local norms and the laws and regulations of the market in which it operates.

However, we believe that there are some basic ESG principles that are applicable across all markets. Those include the need for a qualified and effective board that is accountable to shareholders, robust accounting and risk management systems, appropriate policies to address environmental and social risks and opportunities to the business, and policies and controls designed to ensure full compliance with all applicable laws and regulations. Principles applicable to sovereign issuers include appropriate anti-corruption measures and the protection of private property rights.

Investment Exclusions

As a global firm, RBC GAM must be mindful of the reputational and legal risks related to its investments and the distribution of them in multiple jurisdictions.

We recognize the broad-based international consensus that has emerged regarding the investment in companies whose business activities would contravene the prohibitions contained in the Anti-Personnel Landmines Convention[1] or the Convention on Cluster Munitions, as well as the legislation in jurisdictions that have implemented both Conventions. In recognition of that consensus and the significant risks associated with those investments, no investment team will knowingly invest in companies associated with the production, use or distribution of anti-personnel land mines or cluster munitions[2]. These exclusions only apply when we control the investment policy for a portfolio. For mandates where we do not control the investment policy, our clients may request different exclusions or no exclusions.

We have engaged an independent third party research provider to provide us with a list of companies that should be excluded on the basis of this policy, which is updated quarterly.

Governance & resourcing

RBC GAM has dedicated considerable resources to assist us in understanding and working to integrate ESG issues into our investment process. We have created a Corporate Governance & Responsible Investment group within our investment platform to consolidate and lead our efforts in corporate governance and responsible investment. This group's responsibilities include:

- responsibly exercising our rights as owners by voting our proxies in accordance with our custom Proxy Voting Guidelines
- providing our portfolio managers with ESG research and information
- providing updates on evolving trends and best practices regarding ESG issues
- providing input on company specific and broader thematic research
- designing a program to engage more fully with our investee companies on ESG issues
- providing more comprehensive reporting on our responsible investment activities

In addition, we have engaged a number of external research firms to provide specialized ESG research that we use in conjunction with other forms of analysis. This research provides us with information on ESG risks and opportunities relevant to specific issuers, countries and industries and also provides us with broad-based thematic research relevant to general ESG themes.

Engagement

Engaging with management or directors of the companies in which we are invested is another tool we use to maximize our investment returns and lower our risk. Portfolio managers and analysts meet with the companies in which they invest on an ongoing basis and often discuss risks and opportunities relating to ESG factors. We engage more specifically with companies on ESG-related issues when those issues have been identified as particularly material for that company. Our ESG-focused engagements will be chosen and prioritized using a risk-based approach, focusing on the materiality of the ESG risks and opportunities facing each company and the size of our investment in it.

In general, the goal of our engagement program is to effectively communicate our views as an investor. Engagement also allows us to better understand our investee companies, their governance structures and their approach to ESG issues generally, which will better inform our voting and investment decisions. More specifically, the purpose of our ESG-focused engagements includes:

- seeking better disclosure of ESG risks and opportunities and the steps the company is taking to address them
- encouraging more effective management of ESG factors when we believe they may impact shareholder value
- clarifying information in advance of a voting decision
- where a company is lagging its peers on a material ESG issue, seeking a commitment from the company for change, monitoring any changes and encouraging continued improvements that will impact shareholder value

Our approach to engagement is to encourage an in-depth private dialogue over time. In general, while we may disclose the names of the companies that we have engaged with, absent exceptional circumstances, detailed particulars about our engagements will be kept confidential to allow us to develop a constructive relationship with our investee

[1] Formally known as the "Convention on the Prohibition of the Use, stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction".

[2] These exclusions apply to direct equity or corporate credit holdings, but do not apply to derivatives or other index exposures where our exposure is indirect and outside of our control and which would not meaningfully impact the ability of these companies to obtain capital.

companies. Where our engagement efforts have been unsuccessful and the issue being discussed is material, we may comment publically or take more formal steps, such as filing a shareholder resolution, when we determine that it is in our clients' best interests to do so.

Opportunities for engagement are different for fixed income investments, as the relationship between an issuer and a debt holder is quite different to that between an issuer and an equity holder. ESG risks can impact the valuation of both equity and debt, but the bond holder's ability to initiate change in the issuer to reduce risk is limited when compared with the power of an equity holder. This does not mean that debt investors are unable to influence management decisions at all. The cost of debt is a key factor for companies and can contribute significantly to the long-term profitability of their investments. Any risks which potentially impact the likelihood of repayment, including ESG risks, will generally result in investors demanding a higher yield, which increases the cost of debt and creates an incentive for management to reduce those risks.

Proxy Voting

Proxy voting is a key part of our engagement process as it provides an important way for us to convey our views to boards and management. Voting responsibly is part of our fiduciary duty and we make our voting decisions independently, in accordance with our custom Proxy Voting Guidelines. Those voting guidelines provide an overview of the corporate governance principles we support and how we will vote on ESG-related issues.

We engage a proxy advisor to implement our custom voting guidelines and to make recommendations in jurisdictions where those guidelines may not be applicable. When considering those recommendations, our Corporate Governance & Responsible Investment group also draws upon the expertise of our investment teams, utilizes research from leading research firms and engages with companies and other shareholders, if necessary, to arrive at our voting decisions. We also have a clear policy on managing conflicts of interest and our procedures protect the independence of our voting decision from commercial or other influences.

All of the proxy voting results for our prospectus-qualified funds are posted on our website and we provide customized proxy voting reports to our institutional clients as requested. In exceptional circumstances, where we think 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.

Collaboration

We recognize that collaboration with like-minded investors when engaging with debt or equity issuers can give us greater influence. Where our interests and approach are aligned, we work together with other institutional investors on issuer-specific engagements. Where appropriate, we will also work with national and international organizations/coalitions on issuer-specific or market-wide issues to encourage changes that are in the best interests of our clients and shareholders or bondholders in general.

Engaging with Regulators and Lawmakers

As a firm, we have made a significant commitment to engage constructively with regulators and other lawmakers to provide the institutional investor perspective on regulatory and legal initiatives related to the capital markets. We offer our expertise and 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 appropriate, we work with other institutional investors and national or international organizations/coalitions.

Climate change

We recognize that climate change is one of the most pressing issues of our time and affects almost all sectors and industries. There is strong scientific evidence that climate change is caused by human activities including fossil fuel combustion, deforestation and other changes in land use[3]. These activities increase the concentration of greenhouse gases (GHGs) in the earth's atmosphere, causing global warming. The result is rising temperatures, changing weather patterns and more frequent and extreme weather events, which in turn may have direct and indirect impacts on the companies and countries in which we invest.

[3]Intergovernmental Panel on Climate Change

Climate change has galvanized a global response. In December 2015, nearly 200 governments adopted the Paris Agreement[4], a legally-binding international agreement aimed at safeguarding economic growth by preventing the worst impacts of climate change. The central aim of the Agreement is to hold global warming to well below 2º Celsius over pre-Industrial Revolution levels and to pursue efforts to limit it to 1.5º Celsius. The Agreement also emphasized the need to direct financial flows consistent with a pathway towards low carbon emissions and climate-resilient development.

We are encouraged by the efforts of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD), which we believe will help provide a framework for companies to provide consistent climate-related disclosures containing material climate-related information for investors that is comparable across sectors, industries, and countries. It is important to recognize that the disclosure currently provided by companies and countries is often insufficient for investors to fully understand and assess the risks and opportunities resulting from climate-related issues.

We recognize that the impact of climate change on the capital markets will vary considerably depending on the asset class and the time horizon for an investment. For equities, the impact of climate change on a corporation's cash flow and valuation over the short, medium and longer term can vary considerably depending on the industry in which it operates, the nature of its business activity and the location of its operations. The implications of climate change on fixed income securities will also vary widely depending on the nature of the issuer (corporate versus sovereign), the nature of the security and the time horizon of the investment.

The potential breadth and importance of climate-related investment risk and opportunity merits a significant focus within our ESG integration efforts. As an active manager committed to the responsible stewardship of our investments we will:

- Develop and deepen our capacity to understand and assess the investment risks and opportunities created by climate-related issues across different asset classes, the extent to which they have or have not been priced by the market and, when material, integrate these issues into our investment decision-making
- Broaden our understanding of our portfolios' exposure to carbon emissions by providing our investment teams with more detailed information about the GHG emissions associated with their investments
- Work with our clients to understand their need for investment solutions that address climate-change related issues, including lower carbon investment opportunities, and, if warranted, develop additional investment solutions that meet that need as well as their risk and return objectives
- Engage with the companies in which we are invested to encourage them to disclose their approach to climate-related issues in a way that considers the recommendations of the TCFD. For example, we will generally encourage the disclosure of how a board oversees climate-related issues, how those issues may impact corporate strategy and what metrics and targets the company will use to measure and reduce climate-related risks
- Use our voting rights to reinforce our engagement efforts. As detailed in our Proxy Voting Guidelines, we will generally support climate-related shareholder proposals that are seeking disclosure of material climate-related issues
- Work with the United Nations Principles for Responsible Investment and other collaborative shareholder initiatives on issues related to climate change
- Advocate for improved and standardized climate related disclosure by issuers, and provide input where appropriate on proposed regulatory and legislative changes

Reporting

We believe that transparency and accountability is as important for institutional investors as it is for the companies in which we are invested. We provide our clients with regular reporting of our voting and stewardship activities and we publish a semi-annual Corporate Governance & Responsible Investment Report to more fully describe our activities as a responsible and engaged shareholder.

[4] The Paris Agreement entered into force on November 4, 2016

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(05/2018)
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