RBC Global Asset Management

RBC European Equity Team Environmental, Social, & Governance Report 2021

RBC GAM European Equity team

Contents

A look back at ESG in 2020

In this, our first annual Environmental, Social and Governance (ESG) and Sustainability Report, we will attempt to review the extraordinary circumstances under which the broader sustainability movement operated during 2020, and also look ahead to envisage what sort of world will emerge from the Covid-19 pandemic. Of course we are not fortune-tellers, but we have identified constants within certain ESG themes that, coupled with a post-pandemic shift in momentum, may become more prominent. It is our job as investors to try to comprehend the nuances of these forces, support those we deem important, and position our portfolios accordingly on behalf of our clients.

In 2020 ESG maintained its prominence in the investment world. Flows into ESG funds continued at a rapid pace, outstripping a number of other asset classes and investing styles.[1]

This was also a year when the 'social' element of ESG took centre stage. In recent years, environmental considerations have dominated discussions on sustainability, but with the Covid-19 pandemic and protests around the world against racial inequality, social factors came to the fore.

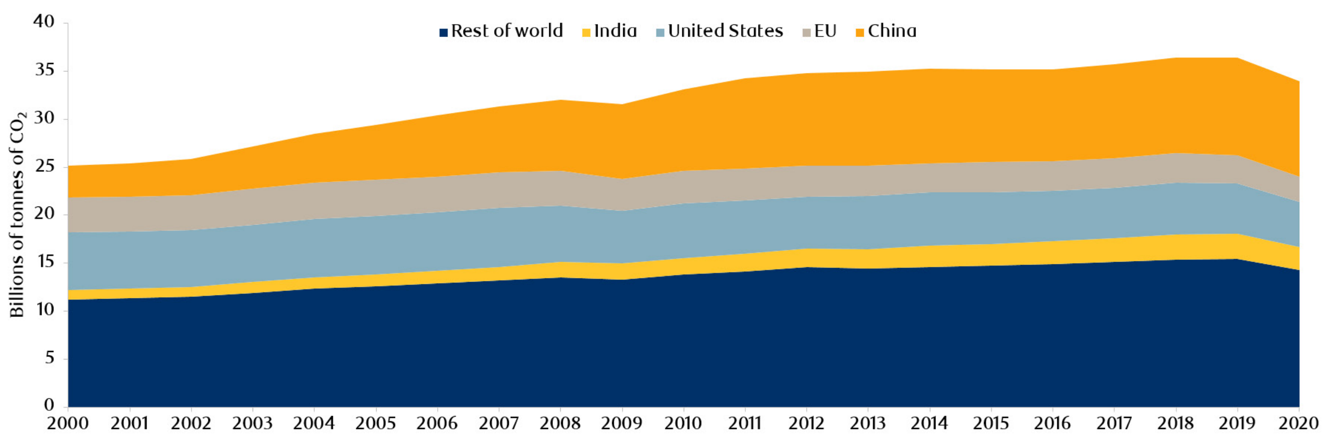
As the coronavirus spread in early 2020, governments enforced lockdowns, many businesses were severely impacted, and healthcare systems globally were put under intense pressure. While governments implemented financial relief programmes, corporations also had to play their part to help steer the broader economy through the crisis. Supply chain risk and workplace culture became important factors for companies to manage. The businesses that were able to demonstrate the resilient operations and fair treatment of employees benefitted significantly. Companies were judged on how they protected their workers and how they treated customers. In some cases companies even built further brand recognition by going above and beyond to help society get through the crisis.

The protests against racial inequality, particularly in the U.S., reverberated around the corporate world. Companies reconsidered their role in how society addresses inequality and the importance of ensuring that their policies were appropriate to help promote greater diversity and inclusion.

Given the terrible impact of Covid-19 on health and communities around the globe, it would have been unsurprising if environmental issues had been forced to take a back seat while global economies addressed the health crisis, as well as the ensuing economic crisis. However there was an encouraging reduction in global carbon emissions, predominately due to the significant decrease in travel and commuting but this was not expected to last for long (Exhibit 1).

As the initial phase of the pandemic passed, there were concerns that governments would be so focused on re-opening economies that the measures to fight climate change that had gained momentum in recent years would need to be put on hold until after the crisis was over. These fears were unfounded, however, as it became clear that the decarbonisation movement was not going to slow down and would play a significant part in the recovery with greater investment in that area. In what was an unprecedented structuring of a stimulus package,

Exhibit 1: Global CO_2 emissions from fossil fuels by region

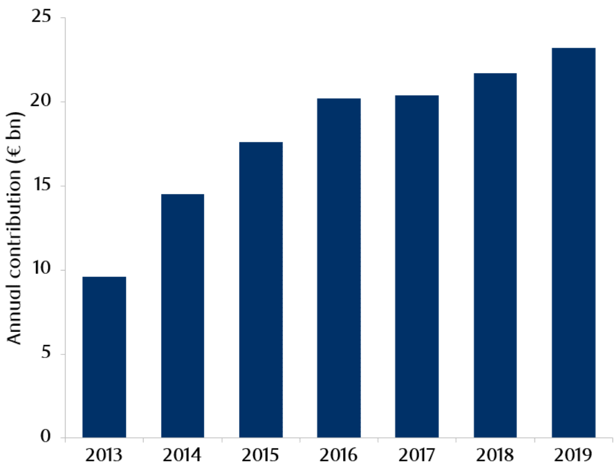


Source: Global Carbon Project. Data as at December, 2020.

[1] Bernstein, 2021.

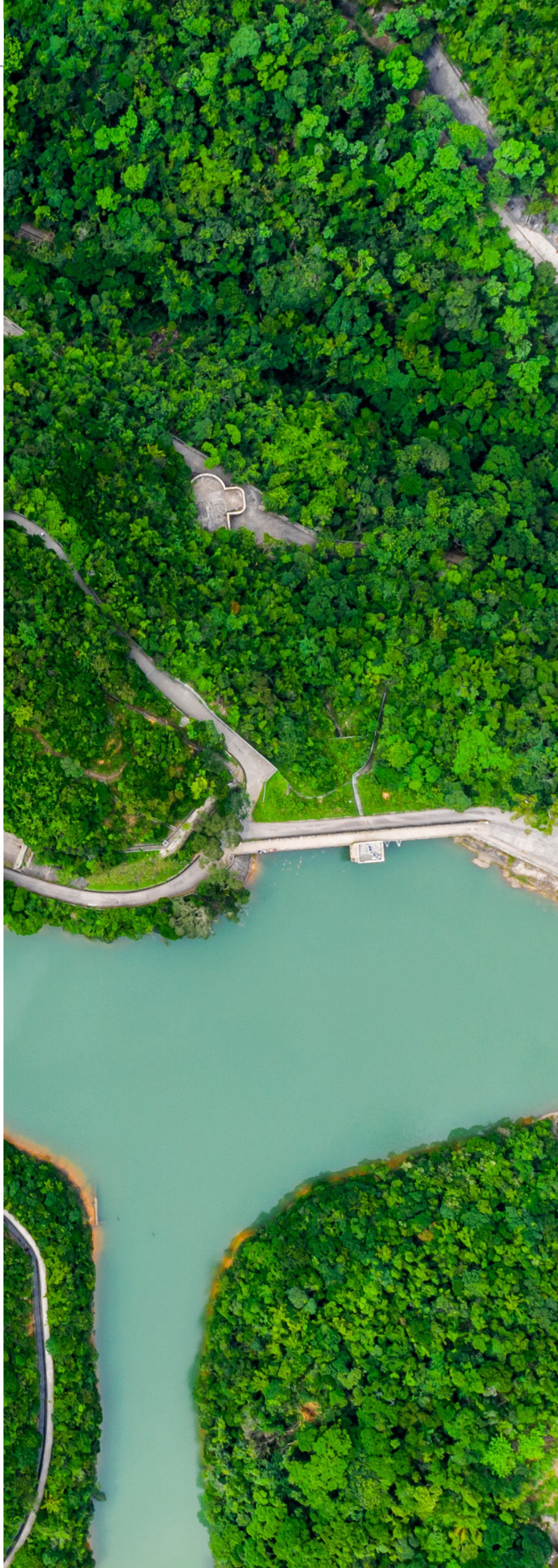
the European Union (EU) announced that 30% of its €1.8 trillion EU Recovery Fund would be dedicated to fighting climate change.[2] This is by far the greatest share of an EU budget being allocated to 'green' activities, and serves as a signal from regulators that they continue to be focused on the decarbonisation journey. On top of this, the EU has continued to increase its funding to developing countries to help mitigate and adapt to the impact of climate change (Exhibit 2).

Exhibit 2: Europe's contribution to climate finance (€ bn)



Source: Council of the European Union. Data as at December, 2019.

[2] https://ec.europa.eu/info/strategy/recovery-plan-europe_en.



How we integrate ESG into our process

Short-termism and a view that ESG is a separate assessment criterion are both market weaknesses. We believe that ESG criteria should be considered in the same way as traditional financial criteria in terms of their capacity to affect shareholder value and therefore long-term investment performance.

Some ESG criteria are more relevant to certain industries and sectors and we therefore believe that investors cannot use a 'one-size-fits-all' approach to ESG analysis and integration. Investment screens can serve a useful purpose for investment managers. But we believe that through a bottom-up process, without an over-reliance on external data, active managers making informed, explicit decisions can add significant value for investors.

We look at companies through three lenses: Operational Quality, Competitive Advantages, and Material Issue Management (ESG). The last of these focusses on those ESG factors that we believe are most material and pertinent to the successful performance of that business. Rather than applying broad analytics, we prefer to look on a fundamental, bottom-up basis at those factors which, based on our proprietary material issue analysis and scoring, matter most to a business and its stakeholders. An example of how these factors may be analysed on a company-by-company basis is shown below in Exhibit 1.

The results of this analysis is then integrated into our financial analysis and, ultimately, into the decision to invest – or not - in a business. We remain cognisant that including ESG factors in our fundamental analysis not only serves as an excellent risk management tool but, just as importantly, can provide us with opportunities both at a corporate and portfolio management level. We believe that this mind-set, married to our skillset as active managers, is how we can benefit our investors in the long run.

Exhibit 1: RBC European Equity team investment process: Material issue management (ESG)

Category	Luxury goods - Company A	Capital goods - Company B
Leadership and Governance	▪ Board Composition ▪ Executive compensation ▪ Management quality ▪ Disclosure	▪ Board Composition ▪ Executive compensation ▪ Management quality ▪ Disclosure
Social Capital	▪ Product quality and safety ▪ Data security	▪ Product quality and safety
Human Capital	▪ Labour practices	▪ Employee Health and Safety
Business model and innovation	▪ Supply chain management ▪ Materials sourcing & efficiency	▪ Product Design & Lifecycle management ▪ Materials sourcing & efficiency
Environmental	▪ Water and wastewater management ▪ Energy Management	▪ Energy Management ▪ GHG Emissions

Changing factors in our ESG risk management research

Source: RBC Global Asset Management, RBC European Equity team, integrated ESG investment process.

Major ESG portfolio events in 2020

At a corporate level we were also encouraged to see our investee companies continue with their ESG activities: some of this was in response to the pandemic and some a continuation of a commitment to previous ESG commitments and policies. Companies responding to pandemic issues included:

LVMH. At the beginning of the pandemic, the luxury goods company converted three of its perfume factories into massive hand sanitizer production centres when supplies were low in March. The company produced and delivered these to the French Health Authorities free of charge. The company also utilised its global distribution network to procure over 40 million surgical masks for hospitals at the end of March.[1]

Unilever. The company pledged a range of measures to help individuals and companies to combat the virus. Unilever contributed over €100 million worth of soaps, sanitizers, bleach and food to the Covid Action Platform of the World Economic Forum. In addition the company offered €500 million of cash flow relief to its small and medium-sized suppliers and customers to assist with financial liquidity and assist with job protection. Unilever also continued to fund its handwashing campaign in an attempt to reach 1 billion people.[2]

Moncler. The CEO - along with all the executives - waived the variable portion of their remuneration and allocated the CEO fixed portion to charitable initiatives. In total the company opted to donate €10 million to the Lombardy region in Italy which had suffered due to the pandemic and where Moncler's business was built. The funds were used to build more ICU units to ease pressure on the full hospitals. The company also guaranteed the same level of salary to all employees worldwide, even if they were not currently working. [3]

Companies that reaffirmed their commitment to environmental initiatives and decarbonisation objectives included:

Nestlé. The world's largest food producer announced a $3.6 billion investment over the next five years to help reduce its impact on climate change and help reach its goal of net zero emissions by 2050. Among the initiatives announced were a switch to 100% renewable energy by 2025, the planting of hundreds of millions of trees within the next decade, and a $1.35bn investment into regenerative agriculture across the company's supply chain.[4]

Novozymes. The specialist chemicals company launched Fiberex, a comprehensive platform based on novel enzymes and yeast strains to convert corn fibre (typically only used for animal feed) into low-carbon, high-value cellulosic ethanol. The process also enables the extraction of more corn oil while allowing producers to begin reducing both energy demand and water usage.

Novo Nordisk. The global healthcare giant reached its goal of using 100% renewable energy to power its production facilities. The company is now beginning to transform its business processes to eliminate emissions from operations, with an ambition to be net zero CO_2 in operations and transport by 2030. The company is also targeting the movement of all of its direct suppliers to 100% renewable power by 2030.[5]

[1] https://r.lvmh-static.com/uploads/2020/03/pr_lvmh-masques-210320-va-def.pdf. [2] https://www.unilever.com/news/press-releases/2020/helping-to-protect-lives-and-livelihoods-from-the-covid-19-pandemic.html. [3] https://www.monclergroup.com/wp-content/uploads/2020/03/Moncler-supports-the-Fiera-hospital-project-with-10-million-euros_ENG.pdf. [4] https://www.nestle.com/media/pressreleases/allpressreleases/nestle-efforts-combat-climate-change. [5] https://www.novonordisk.com/news-and-media/news-and-ir-materials/news-details.html?id=27497.

2021 outlook: Analysing key themes

We believe that we may be entering a new period of acceleration in the ESG movement, with the end of 2020 serving as a quasi-reset. There are two elements to this. The first is the election of Joe Biden as President of the United States and the changes to the U.S. Senate that now is narrowly in the Democrats' favour. With a raft of executive orders appearing from the Biden administration, including the re-joining of the Paris Agreement and a reintroduction of a number of federal environmental policies that had been rolled back by President Trump, there is now a renewed macro signal of intent.

The second is the tentative signs that the pandemic may be quashed sufficiently to begin a recovery and return to normality. With national and supra-national bodies such as the U.S., EU and the UK all pledging green initiatives embedded within fiscal stimulus, this can be viewed as a unique foundation from which a period of global growth can be intertwined, perhaps for the first time, with a more sustainable economic operation. Eyes will be trained on the Conference of Parties (COP) scheduled to take place on 26th November 2021, as countries are required to publish new nationally-determined contributions (NDCs) with details on how they will reach their carbon emission reduction targets. How far individual countries are willing to go will have a dramatic effect on the potential trajectory for global warming and the discussion around emissions reduction.

An aspect of the fiscal stimulus that will become increasingly paramount in the following years is not just the allocation to green initiatives, but how this capital is deployed. Execution will be equally as vital to ensure that good intentions are not wasted through inaction or a lack of expertise. A case in point is the EU recovery fund, with its 30% allocation towards climate projects.[1] While the allocation is substantial, efficacy will be determined by EU member states and their individual deployment plans. Bureaucracy, domestic politics and variable definitions are all potential hurdles to successful implementation that will need to be manoeuvred deftly. This is something that will require regulators, corporations and investors to work together, in the knowledge that the benefits can be shared by all, both financially and from a societal stand-point.

As 2020 has shown, it is almost impossible to predict how trends may form or dissipate in the near future, but it seems to us that there are a number of key points that are more likely than others to persist over the next 12 months and beyond:

- **Emissions and carbon trading.** After a number of reforms, Europe's Emissions Trading System (ETS) is gathering momentum. In January 2021 the cost of emitting one tonne of CO_2 reached a record €35.42, with price expectations continuing to rise as the volume of permits from this year will drop by 2.2% annually, rather than 1.7% historically. This will also be influenced by the EU's revision of its 2030 target of cutting pollution by 55% of 1990 levels, from 40% previously.[2]

- **Broader awareness of ESG.** This spans general consumption and the investing arena. In 2020 there were $100bn of ESG fund inflows in a year of net outflows from active equity funds.[3] While awareness has grown substantially, we believe there is room for further growth, especially among retail investors. The pandemic has had a substantial effect on public awareness, from the impact of fast fashion on the environment and the social element within the supply chain, to the social ramifications of the inequality exacerbated by the pandemic. This has the potential for significant changes in the way people expect their investments to be managed.

- **Enhanced ESG disclosure and standardisation.** The need for a certain level of standardisation has been obvious for some time. 2021 may well see this come to fruition but from multiple parties. The introduction of the Sustainable Finance Disclosure Regulation (SFDR) in Europe will take place in March 2021. This legislation aims to introduce an additional layer of transparency to the industries' efforts to incorporate sustainability and ESG factors into investment portfolios and decision making.[4/5]

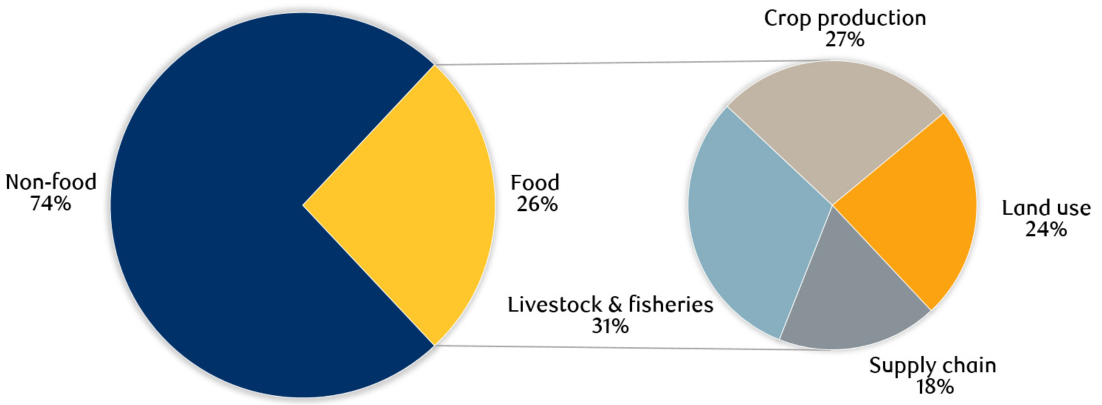
  On the corporate side of things, in September 2020 a number of major frameworks (including SASB, GRI, CDP and IIPC) committed to working towards a single framework. Given that 74% of UN PRI signatories stated that they struggled with assessing their portfolios' climate risks in 2020 due to the underwhelming quality of reporting, we expect momentum to begin accelerating in this space.

Food and food waste in focus

It is estimated that food production is responsible for more than a quarter of global greenhouse gas (GHG) emissions. This accounts for the land use (24%), crop production (27%), livestock and fisheries (31%), and the supply chain (18%) associated with food production.[6] With a growing global population, the demand for food is only going to

[1] https://ec.europa.eu/info/strategy/recovery-plan-europe_en. [2] Bloomberg, 2021. [3] Bernstein, 2021. [4] SASB: Sustainability Accounting Standards Board, GRI: Global Reporting Initiative, CDP: Carbon Disclosure Project, IIPC: Intergovernmental Panel on Climate Change. [5] Bernstein, 2021. [6] Poore, J., & Nemecek, T. (2018). Reducing food's environmental impacts through producers and consumers. Science, 360(6392), 987-992.

Exhibit 1: Global greenhouse gas emissions

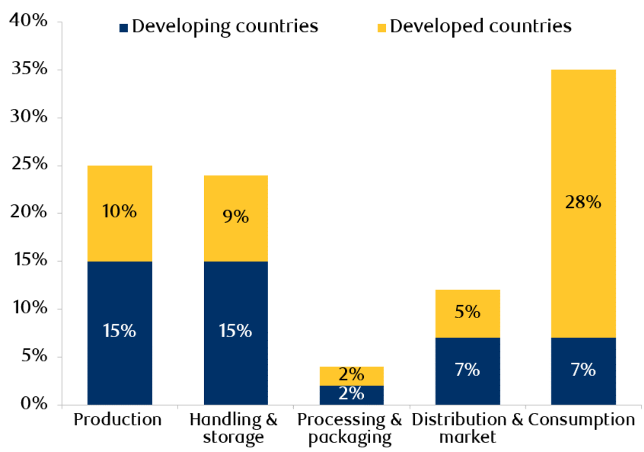


Source: Poore, J., & Nemecek T. Data as at December, 2018.

increase and for this reason it is important to find more efficient ways to produce food to meet the demand whilst simultaneously utilising a limited area of land (Exhibit 1).

One key way to help reduce the carbon emissions in the food production and consumption process is to reduce the amount of food being wasted. Globally, a third of the food produced is wasted; as a result, food waste alone accounts for around 8% of global GHG emissions.[7] To put things in perspective, if food waste were a country, it would be the third largest emitter of GHG, just behind China and the U.S. It is important to note that food gets wasted at various stages along the value chain, however the distribution

Exhibit 2: Food waste breakdown in the value chain



Source: Agropress, Tomra. Data as at November, 2017.

of food waste differs between developing countries and developed countries. In developed counties the majority of food waste is from the consumption stage, whereas in developing countries the majority comes from the production, handling and storage stages.

With 821 million people globally at risk of starvation, and a third of all the food being produced never consumed, the repercussions ripple out beyond just the scope of the environmental.[8]

Within the production stage, precision agriculture - which uses data and technology to optimise the efficiency and production in farming - will help with food loss. Vertical farming is another growing trend that can help to maximise yields, while also increasing shelf life for produce. Technological developments can help to reduce waste in the handling and storage part of the food chain. Improvements in storage, cooling, and packaging are also important as well as better sorting, which enables re-purposing unacceptable foods and ensuring the whole batch isn't wasted. Reducing waste in the consumption stage will be most important in the developed world and will largely depend on consumer behaviour. Governments will play a key role in better labelling standards, better awareness programmes, while also promoting increased composting. It also creates opportunities for corporates, such as the concept of individual portion control through meal kits. Across the food value chain as a whole there have already been significant technological developments. This trend should continue and there will be plenty of participants who stand to benefit from the fight against food waste.

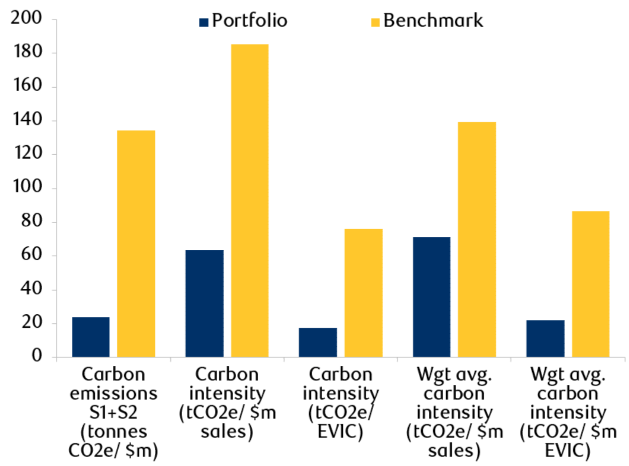
[7] http://www.fao.org/3/bb144e/bb144e.pdf. [8] United Nations World Food Programme, 2019.

Portfolio ESG analysis

Carbon

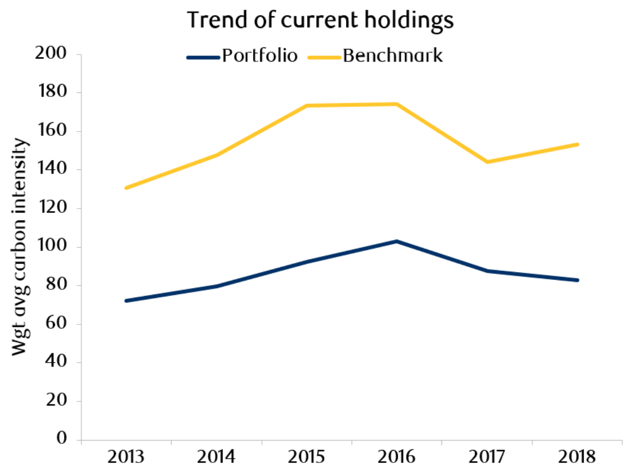
Our strategies continue to exhibit significantly lower carbon intensity than the broader benchmark, against a variety of metrics, including by scope, revenue and against sales. While we do not specifically target these metrics, we are cognisant of how the portfolio performs against the wider benchmark (Exhibit 1 & 2).

Exhibit 1: Carbon footprint analysis



Source: RBC European Equity strategy vs MSCI Europe Index. Data as at December, 2020. Reflects most recently available data for each company on the date of running the report.

Exhibit 2: Weighted average carbon intensity Scope 1 + Scope 2 ($m sales)

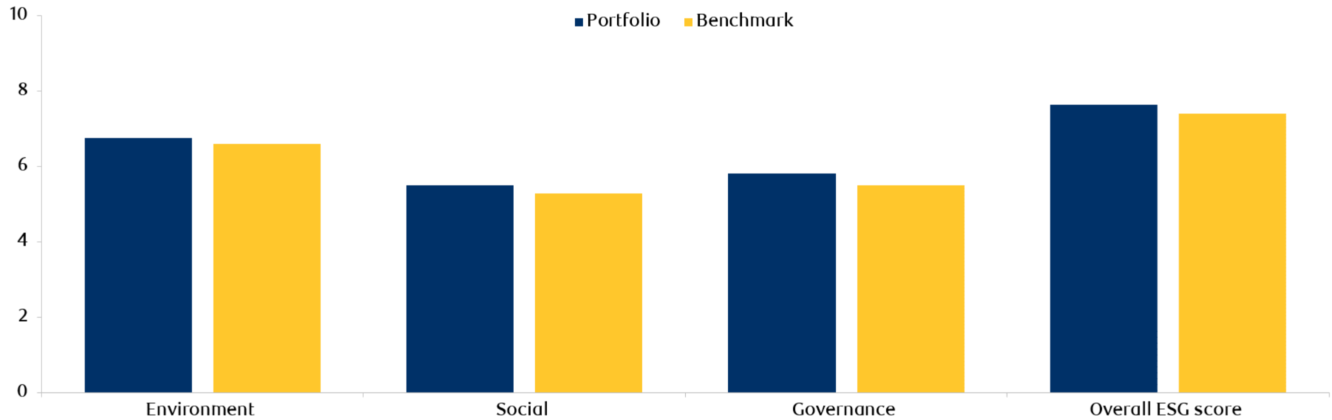


Source: RBC European Equity strategy vs MSCI Europe Index. Data as at December, 2020.

Relative ESG ratings

With Europe the highest scoring ESG region in the world, we are pleased that the portfolio continues to score well on a relative basis.[1] However we are aware of the limits of external third party vendor scores so as with our carbon intensity, we place more value on our fundamental processes (Exhibit 3).

Exhibit 3: RBC GAM European Equity ESG scoring



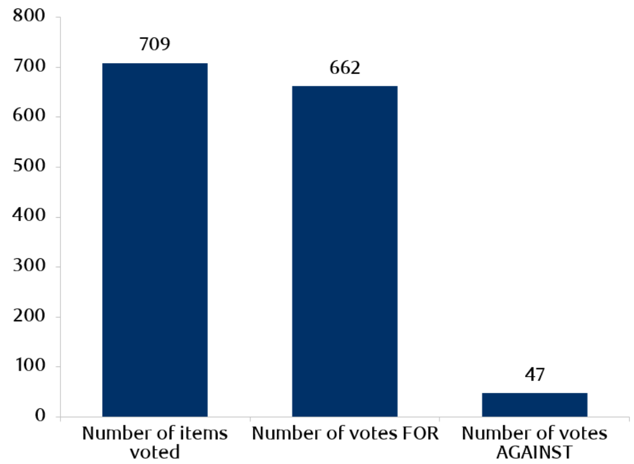
Source: RBC Global Asset Management, MSCI Data shows the relative scores of the RBC European Equity Strategy versus those of the benchmark, the MSCI Europe Index. Data as at December, 2020.

[1] Sustainalytics, December 2020.

Voting record

Proxy voting remains an important tool for the RBC European Equity team in supplementing our engagement with management. While RBC GAM has a set of custom Proxy Voting Guidelines for many markets, in Europe RBC GAM uses the local proxy voting guidelines of a research provider. The Corporate Governance & Responsible Investment team work closely with the RBC European Equity team to review every ballot item and ensure that proxies are voted in accordance with best practices in corporate governance and in the best interests of our clients, with a view to enhancing the long-term value of securities that are held. The proxy voting process ensures that the European Equity team makes its voting decisions based upon its deep knowledge of the companies that we invest in, while benefiting from the ESG expertise of the Corporate Governance & Responsible Investment team (Exhibit 4).

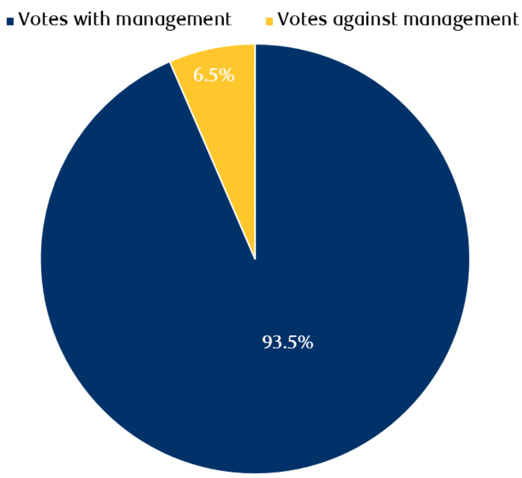
Exhibit 4: 2020 proxy voting record



Source: RBC Global Asset Management. Data as at December, 2020.

In 2020, as in previous years, our percentage of votes in support of management sits at just over 90%. With an investment philosophy grounded in investing in excellent companies, with management teams we both understand and trust to increase the long-term value of the businesses we would expect this number to remain high. Despite this, however, we are always prepared to vote against management when we deem it necessary (Exhibit 5).

Exhibit 5: RBC European Equity team votes



Source: RBC European Equity strategy. Data as at December, 2020.

2020: Notable corporate engagements

Hargreaves Lansdown. Management of this investment platform noted an increase in clients through the pandemic, with a large number being younger males who were new to investing and joining the platform typically to invest in equities. HL is trying to provide these clients with more financial education through its marketing, explaining the benefits of diversification and other investment vehicles such as funds and fund of funds. HL wants its clients to grow their wealth over the longer term instead of being on the platform for short-term speculative bets as that is beneficial for both the clients and Hargreaves Lansdown. HL has also reported an increase in phishing attacks in the early stages of the pandemic and therefore increased the level of security for content sent to clients.

DCC. We discussed the impact of Covid-19 on the Irish distribution company's business. 70% of its staff typically worked in the office but all staff started working from home, and the company expects that it will have more flexible working patterns in future. DCC believes its intellectual property is its people so has made sure that staff were protected. The healthcare business has been able to source PPE for frontline workers who continued to work in essential services, as well as for key workers in the communities in which they operate. All drivers were given proper equipment and training to engage safely with customers. DCC experienced some inefficiencies in manufacturing lines but the company believes that employee safety paramount and is delighted with the commitment of its employees throughout the organisation.

Netcompany. The Danish IT outsourcing company has not been adversely affected by Covid-19, with 98% of its employees switching to work–from-home without any problems. The company developed a tracing app for the Danish government for people who tested positive for Covid-19 and anyone those people had been in contact with through the use of Bluetooth technology. Netcompany believes it is important to have staff close to clients which is why it only has 16%-18% of staff working elsewhere in countries where wage costs are lower; this percentage is significantly less than other IT outsourcing companies. Netcompany prides itself on its workplace culture, and believes that career opportunities rather than remuneration differentiates it when recruiting. Netcompany does not make employees specialists, but allows them to learn from a variety of technical areas and the projects they work on have a big impact on digitalisation in society.

Cranswick. The UK meat producer explained that it had been keeping employees safe during a challenging year had been its priority while continuing its operations and supporting local communities. The company introduced increased safety measures in its facilities, purchased more PPE, and gave staff a bonus to thank them for working during the pandemic. Cranswick has acted quickly to prevent any outbreaks at its facilities, although one site did have to close for two weeks. The company had set a target of 40% reduction in food waste a few years ago and has already reached 61% so has now set a target of zero food waste. Cranswick is also on track to meet its net zero carbon targets along with those for reducing plastic waste for itself and its partners.

Experian. We met with Experian – the consumer credit reporting company - to discuss the importance of data security. Experian spends a lot of time enhancing systems in three ways: data privacy, data accuracy, and compliance and protection. It has a multi-layered approach to managing data with multiple fail-safes to prevent people from accessing data illegally. It has a 'wall' to block illegal access but if a breach of the 'wall' is detected, the final security measure is to prevent the removal of client data. Experian has a very strong governance framework which is managed by the executive team with oversight by the audit committee. The company recognises that there is a need to balance legitimate interest and customer privacy. A recent data breach in South Africa, although due to human error, caused the company to implement stringent measures to prevent any recurrence. In addition to privacy, the company has made a concerted effort to improve accuracy rates which are up from 98.2% to 99.9%.

Knorr Bremse. We met with the global leader in braking systems for rail and commercial vehicles to discuss its environmental efforts. Recently the new CFO has been more outspoken concerning the company's ESG targets which will be integrated into senior management's compensation in 2021, and other management levels in 2022. There are expectations that these targets will be based in part on external ESG scoring providers, as well as other KPIs such as carbon emissions. Knorr Bremse aims to be carbon neutral by 2021 however this target includes buying carbon-offsetting credits, however it aims to halve scope 1 and 2 carbon emissions by 2030 through a greater utilisation of renewable energy in its production. The company aims to have a better measure of scope 3 carbon emissions by 2022 which is encouraging.

Our recent ESG research and articles

The RBC European Equity team produced a number of papers and articles on important ESG topics in 2020. Some of these topics do not immediately appear to be front and centre of the ESG debate but are areas that we feel can be overlooked by investors.

Corporate Lobbying

In our paper published in March 2020, we looked at how the origins of corporate lobbying date back to the efforts of the East India Company during the 19th century, and how it is now prevalent across many aspects of modern society. Often rather opaque, corporate lobbying is in most respects a core component of the democratic system. It also forms one of its biggest potential weaknesses.

At its best, lobbying is a vital source of expertise to lawmakers and often society as a whole. A conduit for everything from technicalities to a particular zeitgeist, lobbying can help shape policy and pierce the often insular bubble of political institutions. At its worst, lobbying can undermine the very foundations of democratic society as it removes the implicit trust between the public and its elected officials. The merest whiff of undue influence – or worse, corruption – can wreak havoc not only on those politicians involved, but also those corporations represented by the lobbyists.

In the paper, the RBC European Equity team looked at how investors need to take lobbying practices into account in tandem with governance practices. Indeed, for investors, lobbying is gradually being seen as an indicator of management's ability, as well as a vital avenue of analysing business risk. Investors should have the right to ask companies to be transparent about their lobbying activities in order to ensure that what companies are advocating for is in line with not only the companies' stated objectives, but whether it is conducive to what we, as shareholders, believe is in the best interests of the company in the long term.

To read full insight click here

Decarbonisation

Decarbonisation remains at the forefront of the ESG movement. We believe, however, that there is too much focus on the 'costs' of a move to decarbonise our economies, rather than the opportunities that exist within the movement. This was in and of itself a pathway to help catalyse the need for companies to address their business models within the context of decarbonisation.

In our February article, we posited that it wasn't just corporations that needed to understand the pathway through the decarbonisation process. This is before the impact on countries has been taken into account. In order to meet the targets set out in the Paris Agreement for 2050, the permissible amount of fossil fuels that may be burned is roughly 1200 gigatonnes.[1] For fossil fuel companies that traditionally keep 10-12 years of reserves, this is a significant figure as it suggests that only 41% of remaining proven fossil fuel reserves would be burnable. For countries such as Venezuela, which has over 100 years of proven reserves, these are complex issues to be navigated.

To read full insight click here

Sustainability podcast

In December 2020 the RBC European Equity team launched a Sustainability podcast to focus on key issues while providing insight from an investment perspective.

In our first episode Freddie Fuller and James Jamieson discussed the progress certain countries and regions had made towards meeting the targets set out in the Paris Agreement of 2015. In the light of the European Green Deal announced earlier in the year, Europe remains committed to meeting its targets, with an unprecedented use of stimulus based upon green activities. Europe gets a lot of publicity in this regard, and it is therefore insightful to look elsewhere in the world to measure progress. China produces around 30% of global GHG emissions, but is already producing approximately 25% of its power from renewable sources, something often underestimated by commentators and investors.[2] Having announced its first net zero target of 2060, it has also encouraged other Asian countries to follow suit.

Even with existing progress the world is not close to being on target to limit global temperature rises to the 1.5 – 2.0 degrees Celsius limit set out in the Paris Agreement, and a further discussion took place about what could serve as a catalyst to improve the measures being enacted by signatories of the accord.

To listen to full podcast

Automation and employees

While automation, often coupled with artificial intelligence (AI), has the potential to improve the lives of populations around the globe, it has been noted how a fear of a 'machine replacement' for workers could be a justified concern. What is often overlooked at this juncture, however, is the requirement, even with increased levels of automation, for workers behind the scenes to keep the

[1] Intergovernmental Panel on Climate Change, 2019. [2] Centre for Strategic & International Studies, 2020.

machines functioning. How this balance pans out over the coming years remains to be seen, but what is clear is that it is too easy for these workers to be considered as secondary to the machines that they service.

It is a real struggle in terms of who takes responsibility for the rights of these workers, especially as pressure from society mounts. Should the responsibility lie solely with the companies contracting their services, or should governments and policy-makers be involved? During the Industrial Revolution, the introduction of machinery automated processes but workers were still needed to fill the gaps where machines could not complete the task; in many cases this created poor working conditions. In the United States it took the Great Depression for the government to create The National Labour Relations Act and, in turn, the National Labour Relations Board to act as a neutral third party to ensure employees' rights were being adhered to by employers.

We are starting to see more attention being paid to the rights of workers in the broader gig economy as it increases in size; the current COVID-19 pandemic has further highlighted the problems faced by gig economy workers. Governments have offered support to those unable to work, while companies have offered more benefits to those who continue to work to provide essential services. The question now is whether this momentum will continue beyond the current crisis.

To read full insight click here

Climate change: active stewardship vs. divestment

The debate over whether it is better to divest from certain companies rather than actively engage with them has been going for many years. With the increasingly evident need to address climate change, this debate is beginning to crystallise around particular companies that may or may not be taking sufficient steps to address their own impact on climate change. At RBC GAM our preference is for engagement rather than divestment. We engage, either individually or collectively, 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. This approach is grounded in research from the UN Principles for Responsible Investment (UN PRI) and others, as well as our own experience.

As signatories to the UN PRI and Climate Action 100+, we also work collaboratively with other Investors to share our views and discuss climate change directly with the boards and management of the companies in which we invest on behalf of our clients. In December 2020 the RBC Corporate Governance & Responsible Investment team wrote this insightful paper detailing some of the key reasons that we believe this remains the best strategy for our investors.

To read full insight click here

Conclusion

We believe that ESG will continue to permeate areas of the investment, regulatory and corporate landscapes for the foreseeable future, often in surprising ways. Themes will wax and wane, but we stand firm in our belief that investing in the best companies that pay attention to the fundamentals of ESG in the way that they run their businesses will continue to provide robust returns for investors. In the meantime, we continue to assess and evolve our own views and processes to ensure that we can be as ahead of the curve as possible on behalf of our own clients.

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