RBC Global Asset Management’s (RBC GAM) Corporate Governance and Responsible Investment (CGRI) group is pleased to present our semi-annual CGRI report that highlights our responsible investment activities for the first half of 2018.
Proxy Voting

Proxy voting is an important part of our portfolio management process as it provides us with a method of conveying our views on the governance of our investee companies. Most companies in developed markets hold their annual meetings during the spring and, as a result, this is when the bulk of proxy voting activity takes place. RBC Global Asset Management (RBC GAM) has developed a comprehensive set of custom Proxy Voting Guidelines that detail how we vote on the most common proposals put forward at shareholder meetings.

Updates to the RBC GAM Proxy Voting Guidelines

Throughout the year, RBC GAM’s Corporate Governance & Responsible Investment (CGRI) group monitors ongoing developments in corporate governance and proxy voting. Complemented by feedback from our clients and investment teams, the CGRI group’s observations serve as a starting point for our annual updates to the RBC GAM Proxy Voting Guidelines. This ongoing review process ensures that our Proxy Voting Guidelines reflect current best practices and emerging trends. Some of the significant updates made in 2018 include:

Climate Change

Throughout 2017, shareholders continued to file climate-related shareholder proposals. Over time, we have witnessed an evolution in the sophistication and specificity of these climate-related proposals and, accordingly, sought to build upon our existing Proxy Voting Guidelines to ensure that they continue to provide meaningful guidance when evaluating climate-related shareholder proposals.

In 2018, we enhanced the RBC GAM Proxy Voting Guidelines to more directly address climate change, identifying the types of shareholder proposals we will generally support, providing a summary of what general topics we will consider when evaluating climate-related proposals, and encouraging companies to consider the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in order to provide consistent and material climate-related financial disclosures.

Board Diversity

Board gender diversity has been one of the most discussed corporate governance topics in recent years. In fact, since updating our Proxy Voting Guidelines in 2016 to outline scenarios where we would potentially withhold votes from directors due to inadequate board diversity and corresponding policies, we have noticed a marked increase in the importance placed on the issue by investors and the market, more generally.

However, despite a significant push from investors and regulators, progress on board gender diversity has been slow. In an effort to foster further discussions and progress in this area amongst our investee companies, we once again updated our Proxy Voting Guidelines addressing board gender diversity, outlining the characteristics we expect to see in an adequate board gender diversity policy. Specifically, policies should include both a commitment to increase board gender diversity and the adoption of goals or targets to increase board gender diversity within a reasonable period of time. As a member of the Canadian 30% Club Investor Group, these updates are consistent with that group’s objective to achieve a minimum of 30% of women on boards and in senior management roles of S&P/TSX Composite Index companies by 2022.1

Overboarding

‘Overboarded’ is the term used for directors who sit on an excessive number of boards to the point where they may not be able to commit sufficient time and effort to effectively discharge their responsibilities as directors.

In 2016, we updated our Proxy Voting Guidelines to reduce the maximum number of boards that a current CEO can sit on from three to two (their own board and one other). However, in order to allow for an appropriate transition, we phased this guideline in over two years, with this grace period expiring at the outset of the 2018 proxy season.

According to the National Association of Corporate Directors’ (NACD) 2016–2017 NACD Public Company Governance Survey, the average director time commitment was 245 hours per year, which doesn’t include the additional time that would be required in the event that a board has to deal with a special situation.2 Given the significant time commitments required to be the CEO of a public company, we view our current limits of two total boards for sitting CEOs to be appropriate. The removal of the grace period on this updated voting guideline prompted several engagements throughout proxy season and we expect this trend to continue as investors increasingly engage boards on this issue.

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Lobbying
Shareholder proposals requesting additional disclosure on companies’ lobbying activities remained prevalent during the 2018 proxy season. These proposals were largely filed at U.S. issuers, where lobbying often plays a significant role in companies’ strategies and can fall under considerable scrutiny by investors and stakeholders alike. However, companies’ public disclosure on lobbying activities is often not provided in a single document or location and it can be difficult to obtain a clear picture of overall activities and rationales when considering memberships in various trade associations.

As engaged investors, we want to ensure that our investee companies’ lobbying activities are aligned with the publicly-stated business strategy that our investment teams support. Accordingly, we generally support shareholder proposals requiring enhanced disclosure on lobbying activities.

In 2018, we developed a new guideline disclosing the various factors we consider when evaluating shareholder proposals on lobbying disclosure. Although we review these shareholder proposals on a case-by-case basis, we developed this new guideline to better communicate the scenarios in which we will generally support this type of shareholder proposal. This additional clarity has been a useful guide in our discussions with investee companies.

Proxy Voting Record
We take an active approach to all of our proxy voting. Our proxy voting team reviews all of the ballots for all of our holdings to ensure that we vote our shares in our clients' best interests. Below is a summary of our voting statistics for the first six months of 2018.

Proxy Voting Statistics\(^3,4\), (January 1 – June 30, 2018)

<table>
<thead>
<tr>
<th>Proxy voting snapshot</th>
<th>Canada</th>
<th>U.S.</th>
<th>Overseas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballot items voted</td>
<td>3,479</td>
<td>10,393</td>
<td>13,966</td>
<td>27,838</td>
</tr>
<tr>
<td>Votes 'WITH' management</td>
<td>2,998</td>
<td>9,191</td>
<td>12,706</td>
<td>24,895</td>
</tr>
<tr>
<td>Votes 'AGAINST' management</td>
<td>481</td>
<td>1,202</td>
<td>1,260</td>
<td>2,943</td>
</tr>
<tr>
<td>% of votes 'AGAINST' management</td>
<td>13.8%</td>
<td>11.6%</td>
<td>9.0%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

\(^3\) The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by BlueBay Asset Management LLP and externally managed sub-advised funds.

\(^4\) Voting statistics account for proxy votes submitted by RBC GAM and may include instances where RBC GAM’s proxy votes were rejected at the time of meeting, which may occur due to proxy voting administration issues in foreign markets. Voting statistics exclude instances where RBC GAM intentionally did not vote due to shareblocking restrictions or other logistical impediments.

Voting on Climate Change Proposals
During the 2018 proxy season, we noted a slight decrease in the volume of climate-related shareholder proposals put forward at our investee companies’ meetings. Although the statistics included in this report provide a useful summary of our voting on climate-related proposals, they do not address the unique conditions, requests, and requirements of each proposal. In general, we evaluate climate-related shareholder proposals the same way we approach all of our voting on environmental and social shareholder proposals.

We generally review all shareholder proposals on a case-by-case basis, but we are more likely to support proposals that request enhanced disclosure in an area that represents a material risk or opportunity for the company. Conversely, we will generally oppose proposals that are unduly prescriptive and/or mandate a specific course of action for the company.
As investor focus on climate-related issues intensifies, we generally expect that companies will enhance their disclosure to meet investor demand, if the climate-related information sought is material. However, we have encountered instances where companies are already providing adequate reporting on climate change or where the disclosure requested by the proponent would be redundant given existing disclosure. In those cases, we would generally not support shareholder proposals seeking additional disclosure. For example, during the 2018 proxy season, we encountered a few instances where a vote against the shareholder proposal was warranted because the company’s existing disclosure or policies on climate change preparedness or emissions was adequate and the additional disclosure requested by the proponent would not provide an additional benefit for investors or stakeholders.

With that being said, we have found that the majority of climate-related proposals request the enhanced disclosure of material information, ultimately allowing investors to make better-informed decisions when evaluating a company’s risks and opportunities. Accordingly, we supported the majority of climate-related shareholder proposals we encountered during this proxy season.

Overall, in only the past few years, we have witnessed a marked and promising increase in the sophistication and specificity of climate-related shareholder proposals. Accordingly, although we evaluate each proposal on a case-by-case basis, we expect to continue supporting the majority of climate-related shareholder proposals. Further, we encourage companies to engage with investors on climate change to better understand what disclosure and practices investors consider material and relevant to their investment decision-making.

We remain encouraged by initiatives to standardize climate-related financial disclosure, such as the recommendations of the TCFD. In our view, investors will be best positioned to consider the material risks and opportunities posed by climate change if disclosure becomes consistent, comparable, standardized, and incorporated into traditional company reporting.

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**Proxy Voting Details (January 31 – June 30, 2018)**

<table>
<thead>
<tr>
<th>Item Category</th>
<th>Canada</th>
<th>USA</th>
<th>Overseas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Require Independent Board Chairman</td>
<td>WITH 1</td>
<td>AGAINST 37</td>
<td>% AGAINST 100.0%</td>
<td>- 42</td>
</tr>
<tr>
<td>Adopt Proxy Access Right</td>
<td>N/A N/A</td>
<td>N/A</td>
<td>- 31</td>
<td>100.0%</td>
</tr>
<tr>
<td>Amend or Approve Omnibus Stock Plan</td>
<td>- 13</td>
<td>2 167</td>
<td>98.8%</td>
<td>3 10</td>
</tr>
<tr>
<td>Political Contributions and/or Lobbying Disclosure</td>
<td>- 3</td>
<td>5 41</td>
<td>89.1%</td>
<td>1 -</td>
</tr>
<tr>
<td>Report on EEO</td>
<td>N/A N/A N/A</td>
<td>1 6</td>
<td>85.7%</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td>Gender Pay Gap</td>
<td>N/A N/A N/A</td>
<td>1 4</td>
<td>80.0%</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td>GHG Emissions</td>
<td>N/A N/A N/A</td>
<td>2 11</td>
<td>84.6%</td>
<td>2 -</td>
</tr>
<tr>
<td>Link Executive Pay to Social Criteria</td>
<td>N/A N/A N/A</td>
<td>4 7</td>
<td>63.6%</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td>Report on Climate Change or Two Degree Scenario Analysis</td>
<td>2 -</td>
<td>2 4</td>
<td>66.7%</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td>Approve Remuneration Report or Policy</td>
<td>144 10</td>
<td>781 106</td>
<td>12.0%</td>
<td>388 88</td>
</tr>
<tr>
<td>Approve Remuneration of Directors</td>
<td>N/A N/A N/A</td>
<td>1 -</td>
<td>0.0%</td>
<td>447 54</td>
</tr>
<tr>
<td>Elect Director</td>
<td>2,375 313</td>
<td>7,065 550</td>
<td>7.2%</td>
<td>4,066 372</td>
</tr>
<tr>
<td>Ratify or Approve Auditors and their Remuneration</td>
<td>291 24</td>
<td>947 31</td>
<td>3.2%</td>
<td>563 9</td>
</tr>
</tbody>
</table>

*Note that the statistics for the 'Adopt Proxy Access Right' Item Category do not include 5 proposals for proxy access put forward by management. In these cases, we voted WITH management on all 5 proposals.*
Proxy Season Observations

Exceptional Long-term Equity Grants

The largest companies in the Technology sector often have unusual executive compensation structures. For instance, several CEOs and founders, such as the late Steve Jobs and Alphabet (Google) co-founders Sergey Brin and Larry Page, have all elected to earn a base salary of $1 per year due to their significant ownership of company stock and options.

However, one form of compensation that has become increasingly common across sectors is the use of significant equity grants that either vest over time or are awarded based on the achievement of specific performance criteria. The grants generally act as the executive’s sole form of compensation over the life of the awarded securities – aside from relatively small base salaries or perquisites – and are awarded with the goal of aligning executive compensation with shareholder returns.

The most notable of these awards in 2018 came from Tesla, Inc.’s compensation package for CEO Elon Musk. In 2018, Musk was granted a 10-year stock option to purchase 20,264,042 shares of the company’s common stock. The options would vest through 12 separate tranches, upon the board’s confirmation that the company had met its market capitalization, revenue, and earnings milestones.6 Valued at $2.6-billion at the time of grant by the company, both of the major proxy vote recommendation providers, Institutional Shareholders Services and Glass, Lewis & Co., LLC, recommended that shareholders vote against the potentially dilutive plan.7,8,9

According to the company’s disclosure, in order to obtain the full value of the award, the company would need to “add approximately $600 billion to its market capitalization… and in order to satisfy all eight revenue-based operational milestones, Tesla would have to increase revenue by more than $163 billion from its 2017 annual revenue of approximately $11.8 billion.”10

Of course, many would argue that if Musk is successful in growing the business at this scale, the award is justified. However, there are several notable conditions in the compensation plan that warrant further consideration. First, the relevant evaluation metrics of market capitalization, revenues, and adjusted EBITDA do not actually incorporate profitability. As a result, Musk could potentially earn the full value of the award without turning a profit. Second, the issuance of this level of shares would further dilute wider ownership, awarding additional stock to a CEO that already owns roughly 20% of the company. Lastly, the adjusted EBITDA performance metric actually excludes stock-based compensation. Given the value of the award, some investors might question the omission of Musk’s compensation from earnings calculations.

In the end, roughly 80% of shareholders supported the pay package.

Similarly, at the tail-end of the 2018 proxy season, shareholders of Blackberry Limited had an opportunity to vote on the compensation provided to CEO John Chen via a new employment agreement. The award, worth potentially $253-million and granted through a mix of cash and performance share units (PSU), would partially be contingent upon the company reaching increased stock prices ranging between $16 and $20 per share, with one million PSUs vesting for each $1 increase in the stock price. In addition, in order to earn the full award, the company’s stock price would need to increase to $30 per share from its $11.50 price in May 2018, resulting in a significant increase in the company’s overall market value.11

However, the price targets included in the compensation plan would only need to be achieved over a 10-day average in the case of the PSUs. In the case of the cash award, the price target of $30 would simply need to be achieved before November of 2023. Accordingly, should the stock price fall after the required thresholds are met, there is a risk of significant payouts without a long-term or sustainable increase in stock price.12

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9 RBC GAM subscribes to the research of both Institutional Shareholders Services and Glass, Lewis & Co., LLC.
10 Tesla, Inc. SCHEDULE 14A INFORMATION. April 26, 2018.
In addition, when the total potential award is distributed evenly over the life of the employment agreement, it would equate to annual compensation in excess of $40-million per year. Given that the company’s market capitalization would be roughly $16-billion dollars in the event that its stock price reaches $30, we would view this as an excessive annual rate for a company of this size. Consequently, we ultimately decided to vote against this proposal.

Although we recognize and encourage companies’ attempts to better align compensation with shareholder returns and agree that executives should be fairly compensated for strong, sustainable growth, such unusual plans, though ambitious, can often contain concerning elements. Accordingly, we will continue to apply a robust review of executive compensation packages to ensure that compensation is appropriately aligned with performance and in the best long-term interests of shareholders.

### Reporting on Pay Gaps

In our 2017 Semi-Annual Report, we provided some observations from the 2017 proxy season regarding ongoing shareholder proposal campaigns seeking additional disclosure on companies’ gender pay gap data, plans, and policies. Since that time, we have seen a growing number of shareholder proposals on the subject, primarily at companies in the Technology and Financials sectors. However, there have been several notable developments in this area that we believe will contribute to an ongoing focus on this issue.

In the United Kingdom, the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 requires that companies employing 250 or more people must publish the following data:

- Their mean gender pay gap
- Their median gender pay gap
- Their mean bonus gender pay gap
- Their median bonus gender pay gap
- The proportion of men in the organization receiving a bonus payment
- The proportion of women the organization receiving a bonus payment
- The proportion of men and women in each quartile pay band

When the first wave of published data was made available in early 2018, it received significant media attention, which often focused on major corporations or companies with the largest gaps. However, it is important to keep in mind that there is a difference between a gender pay gap and what is termed unequal pay. The former tends to focus more on the average or median compensation of females as compared to males across the entire firm, and any gap is largely driven by a greater representation of men in higher paying, senior roles. The latter addresses cases where men and women are paid differently for performing the same job – which is illegal across various jurisdictions.

In the province of Ontario, a new Pay Transparency Act is expected to come into effect in January 2019. According to Mercer, the act, which is the first of its kind in Canada, will cover three main categories: (1) transparency of compensation; (2) reporting on pay differences based on gender and other prescribed characteristics; and, (3) employee protection against retaliation. Employers of more than 100 employees will be required to publish pay transparency reports containing information relating to “differences in compensation in the employer’s workforce with respect to gender and other prescribed characteristics.”

Given the aforementioned reported data from the UK and from companies elsewhere in the world, closing the gender pay gap will require increased representation of women in leadership roles, which will require a long-term, sustained commitment. As a member of the Canadian 30% Club Investor Group, RBC GAM will continue to work with our investee companies to encourage greater female representation at the board and executive level, as there is a considerable amount of evidence suggesting that more diverse boards and executive leadership teams correlate with better long-term performance.
Adjusted Performance Metrics and Executive Compensation

Including performance metrics in executive compensation plans is a best practice that contributes to the alignment of executive remuneration and shareholder value creation. In general, short-term incentive plan metrics tend to focus on operational targets while long-term incentive plans tend to incorporate earnings and return metrics such as earnings per share and total shareholder return.

However, not all financial reporting is created equal. Companies have the ability to disclose metrics that do not conform to generally accepted accounting principles (GAAP). One of the most common arguments from management and boards is that these non-GAAP measures better reflect the operational reality of the firm. That, however, may not always be the case and there may be significant implications for executive compensation.

Amid growing concerns from investors on the use of non-GAAP measures, Canada’s Accounting Standards Board (AcSB) published its Draft Framework for Reporting Performance Measures in June 2018 in order to “help entities enhance the reporting of performance measures outside financial statements.” This comes after a 2017 analysis by Veritas Investment Research found that, among S&P/TSX 60 Index companies, “more than 40 per cent of short-term incentive plans and over 10 per cent of share-based plans are driven by non-GAAP metrics.”

Across markets, companies are generally required to disclose both GAAP metrics and non-GAAP metrics, and often to reconcile those differences for investors in their reporting. Accordingly, investors should generally be able to understand the difference between measures and make their own conclusions regarding the sustainability of reported results. However, there are consequences when non-GAAP measures are used in executive compensation plans. With non-GAAP metrics generally reporting higher results than unadjusted metrics, there is a risk that executives are rewarded for performance figures misaligned with the performance experienced by shareholders, potentially leading to excessive compensation.

In a recent study from Guest, Kothari and Pozen, the researchers reviewed the use and effects of non-GAAP earnings on CEO compensation at S&P 500 Index companies. The study put forward several interesting conclusions, summarized below:

- Non-GAAP earnings typically exceeded GAAP earnings (23% greater, on average);
- Compared to a predictive executive compensation model, the S&P 500 Index companies reporting the largest positive differences between their non-GAAP and GAAP earnings tended to award their CEOs excessively – 16% above the predictive model’s output, or $1.9 million, on average;
- Companies with the largest differences between their non-GAAP and GAAP earnings generally had poor concurrent stock returns and exhibited “subpar future performance” compared to companies with small differences.

When reviewing executive compensation plans, we consider the suitability of selected performance metrics including the use of adjusted metrics and whether they may be more susceptible to manipulation. This is an emerging issue that we will continue to analyze and monitor in our analysis of executive compensation plans.

Virtual-only Annual General Meetings

Many issuers have begun or are considering using new technologies to enable virtual participation in shareholder meetings. Accordingly, over the past few proxy seasons we have seen increasing numbers of virtual meetings. In 2017, 236 companies held virtual meetings and by the end of 2018, it is estimated that at least 300 companies will host virtual meetings. There are certainly benefits to facilitating virtual participation, including greater access for shareholders, reduced meeting related expenses, a lower environmental footprint for the meeting, and perhaps greater control over the meeting for management.

However, 90% of the 236 companies that held virtual meetings held virtual-only meetings. Investors and investor groups have expressed concerns related to the potential impact of virtual-only meetings on shareholder rights.

The Council of Institutional Investors (CII), the New York City Comptroller, and other industry thought leaders believe that some companies might be inclined to favour virtual-only meetings as a way to dictate the interactions they have with shareholders and protect themselves from difficult questions from shareholders. Overall, the consensus has been that a virtual meeting experience is not directly comparable to an in-person experience for all shareholders.

A hybrid meeting model has evolved where companies still hold physical meetings but also give shareholders the opportunity to attend the meeting virtually. This practice allows companies to reap some of the benefits of virtual access without diminishing shareholders rights by allowing shareholders the opportunity to attend the meeting in person.

Engagement

‘Engagement’ refers to the direct dialogue between a shareholder and the board or management of a company in which it is invested. RBC GAM actively engages with its investee companies on numerous environmental, social and governance (ESG) issues. Below is a snapshot of some of our engagement activity during the first six months of 2018.

Human Capital and Employee Engagement

As long-term investors, we seek to invest in companies with sustainable business strategies that will deliver returns for our clients over a long-term investment horizon. Although a strategy may appear sustainable on paper, we recognize that any business’ success hinges upon its employees.

In the first half of 2018, we engaged with several companies on the topics of human capital development, corporate culture, and employee engagement. We place a great deal of value upon companies’ abilities to attract and retain key talent, and foster a corporate culture that encourages and rewards innovation. We believe that employee development can create a competitive advantage for our investee companies. It is our view that each engagement on these topics is different and must be approached on a case-by-case basis, in light of each company’s unique circumstances.

For instance, our European Equity team recently engaged with a family-controlled German company through which they gathered greater insight into the significant focus the company places on fostering a sense of community for its employees. Although there are often governance challenges in family-controlled companies, in this case, a significant portion of the CEO’s compensation is tied to employee satisfaction, demonstrating the value placed upon keeping employees engaged and fulfilled.

As another example, our Global Equity team engaged with the management of a UK company, discussing recruitment and retention. Corporate Social Responsibility (CSR) is often confused with philanthropy, and some companies may be credited with being socially responsible entities simply due to their charitable activities. However, this company aligns its philanthropic activities with its wider CSR strategy. Further, that same CSR strategy is strongly tied to the overall corporate culture, leading to employee satisfaction, and, ultimately, low levels of staff turnover, which can contribute to increased employee satisfaction, engagement, and productivity.

Management Succession

When we invest in a company, barring exceptional circumstances, it is an indication that we are largely supportive of management and the board. In fact, in some cases, our investment teams view particular executives as a key component of the overall investment thesis, noting that the company’s value can largely be attributed to the executive’s vision, creativity, leadership, or other qualities. Accordingly, management succession plans, especially as they relate to CEOs and founders, are of paramount importance when it comes to the potential long-term viability and success of our investee companies.

“We invest in companies focused on sustainable economic value creation; key to this are the people involved with the development and execution of the strategy. We interact with management regarding their company culture, which includes the measures they take to ensure their workforce is engaged and top talent is retained.”

Lukas Harrison
Analyst, European Equity Team, RBC Global Asset Management (UK) Limited

During the first six months of 2018, our engagements related to management succession can largely be grouped into two scenarios. In the first scenario, the company has faced recent challenges and our engagement pertains to an incoming CEO or other executive. Often, this engagement involves a discussion of the recruitment process, the incoming executive’s experience and his or her vision for the company. In this scenario, succession largely deals with a smooth transition between management teams, as the succession itself likely was not planned and came about due to poor results.

In the second scenario, we engaged with companies where we believed that a CEO or other key executive might be leaving the company in the near-term. Without a succession plan in place, companies are at risk of hurried searches, or paying excessive amounts to recruit an external replacement. Without a clear plan in place, there may also be uncertainty around the ability of a new executive to execute the company’s strategy or whether that strategy might change.

Accordingly, we engaged with companies in this scenario to ensure that we understood the companies’ succession strategy and to obtain greater clarity on the processes in place should a key executive be lost abruptly.

Regardless of a company’s recent performance, board oversight of management succession provides investors with a clearer picture of the company’s future and allows us to make a better-informed investment decision for our clients.

“Climate Change

In recognition that climate change is one of the most pressing issues of our time, RBC GAM has adopted a climate change strategy to integrate the consideration of climate-related risks and opportunities into our investment process, as there is growing evidence that climate-related issues may represent material investment risks or opportunities for companies. The widespread adoption of the Paris Agreement...”

Jennifer McClelland
Vice President and Senior Portfolio Manager, Canadian Equities, RBC Global Asset Management Inc.

“Management transition is incredibly important – we have observed that changes in management often lead to alpha rich opportunities (both positive and negative). We spend a lot of time thinking about management succession to ensure that the strength and quality of the firm’s culture will be maintained through the change in management.”

Scott Lysakowski,
Head of Canadian Equities & Senior Portfolio Manager, Phillips, Hager & North Investment Management

“As part of our fundamental research process, we spend a lot of time with management and make an effort to meet with and engage with the executive team and other layers of management. Spending time with management helps us to assess not only the quality of the current executive team, but also the depth and strength of the rest of the organization and the firm’s culture.”

Jennifer McClelland
Vice President and Senior Portfolio Manager, Canadian Equities, RBC Global Asset Management Inc.

Scott Lysakowski,
Head of Canadian Equities & Senior Portfolio Manager, Phillips, Hager & North Investment Management
by over 200 governments, the efforts of the Financial Stability Board’s TCFD, and the launch of Canada’s Expert Panel on Sustainable Finance have all contributed to bringing the issue of climate change into sharper focus.

Accordingly, we have updated our Approach to Responsible Investment to communicate our increased focus on climate-related investment risks and opportunities as part of our ESG integration efforts. We are working to understand how climate-change issues might impact different asset classes, broadening our understanding of our portfolios’ exposure to carbon emissions, and working with our clients to understand their need for investment solutions that both meet their investment objectives and address climate-change related issues. We plan to increase our engagement efforts on climate change and encourage the companies in which we are invested to disclose their climate-related risk in alignment with the TCFD recommendations. As mentioned earlier in this report, our Proxy Voting Guidelines have been updated to more directly address climate change and we will generally support climate-related shareholder proposals that are seeking disclosure on material climate-related issues. Finally, we will explore collaborative shareholder initiatives on issues related to climate change and provide input, where appropriate, on proposed regulatory and legislative changes.

What’s Next?
The corporate governance and responsible investment landscape continues to evolve and we are excited to be contributing to this ongoing evolution on behalf of our clients. As such, we look forward to continued communications with you through RBC GAM’s Corporate Governance & Responsible Investment Annual Report, which will be available in early 2019.

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