RBC Global Asset Management

Stewardship in action

2019 Corporate Governance and Responsible Investment Annual Report

What's inside:

- An evolving responsible investment landscape: Results from our fourth annual Responsible Investment Survey
- Proxy voting: Voting statistics and highlights
- ESG engagements: Engaging with companies on climate change, plastic waste, health and safety, and more
- Integrating ESG: A look at our Asian Equity Team and geospatial analysis in mortgage investments

CIO message

We are pleased to share with you our 2019 Annual Report, which highlights our recent activities, progress, and achievements regarding our commitment to responsible investment. RBC Global Asset Management (RBC GAM) continues to believe that being an active, engaged, and responsible owner empowers us to enhance the long-term, risk-adjusted performance of our investments.

After several years of continuous improvement and innovation in our ESG integration and active stewardship activities, we were delighted to receive the highest scores possible for our annual United Nations Principles for Responsible Investment (PRI) Transparency Report in 2019. The PRI evaluates signatories' approaches to the Principles, and we were pleased to receive a score of A+ for each of our modules this year.

This achievement comes on the heels of an exciting year for RBC GAM as we entered two new relationships designed to deliver excellence to our clients. The first was a strategic alliance with BlackRock Asset Management Canada Limited ("BlackRock Canada") to provide access to the most comprehensive ETF offering in the Canadian marketplace. The first set of solutions launched under the alliance was a suite of six ESG-oriented ETFs. These ETFs are the first of their kind in Canada and demonstrate our commitment to bringing innovative responsible investment solutions to our clients.

We also collaborated with British Columbia Investment Management Corporation and QuadReal Property Group (QuadReal) to create a Canadian core real estate fund, RBC GAM's first income-producing commercial real estate strategy for qualified investors in Canada. We are proud that the properties in the fund are managed to the highest ESG standards. Our colleagues at QuadReal continue to focus on improving the energy efficiency of buildings using renewable energy, and less carbon-intensive fuels as well as assisting tenants, residents, and peers in meeting their own carbon goals.

As our assets and partnerships grow, we will continue to ensure that our commitment to responsible investment and ESG integration is embedded in the decisions we make. Looking forward to 2020, we have made the ongoing integration of ESG considerations into our investment processes a corporate priority and plan on further enhancing our approach to managing the investment risks and opportunities presented by climate change.

In addition to reading this Annual Report, we invite you to visit our Corporate Governance & Responsible Investment website where you will find additional highlights of our responsible investment achievements.

Daniel E. Chornous, CFA
Chief Investment Officer
RBC Global Asset Management

2019 highlights

This year, we started thinking about our approach to responsible investment in terms of three pillars: fully integrated ESG, active stewardship, and client-driven solutions and reporting. We introduced enhancements in each of these areas, some of which are highlighted below.

Fully integrated ESG

All investment teams integrate relevant ESG factors into their investment processes.

Active stewardship

We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors.

Client-driven solutions and reporting

We align our solutions with client demand and provide transparent and meaningful reporting.

Fully integrated ESG

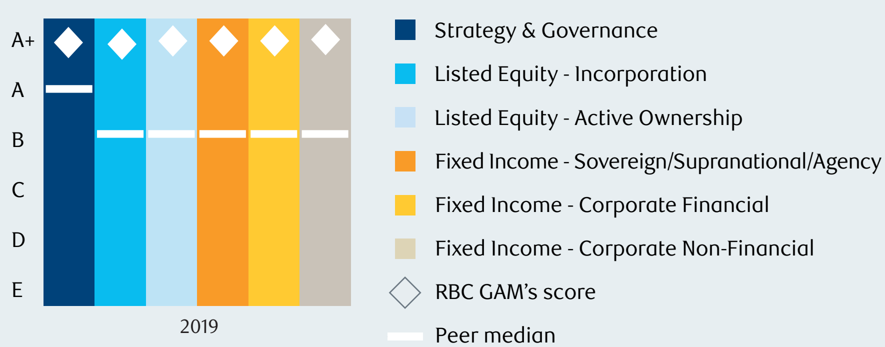
All investment teams integrate relevant ESG factors into their investment processes.

Diversity of thought
In advancing ESG integration at RBC GAM, we have established an ESG Champion network consisting of representatives from each investment team. The purpose of this network is to bring together diverse viewpoints and collaborate on the challenges and opportunities that exist with ESG-integrated investing. For example, our ESG Champions participate in a global call each month to share perspectives and discuss different ESG topics or trends. These calls are open to all members of our investment teams, and aim to be both educational and practical in nature.

Harnessing the power of technology
At the individual team level, 2019 saw many of our teams focused on finding new ways to harness technology to make their ESG integration and investment processes more efficient. For example, our North American Equity Team created a proprietary web portal that hosts all its investee companies' ESG information alongside their other investment and risk characteristics. The same platform also serves to track engagement notes and other research related to the investment decision process.

Understanding the potential impacts of climate change
Throughout 2019, we continued to expand our expertise in understanding the potential impacts of climate change on our investments. As an example, during the year, we engaged with climate data vendors to explore climate scenario analysis tools for our investment teams. We also hosted information sessions for our investment teams on the significance and progress of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). As long- term investors, we view the risks and opportunities associated with climate change as critically important to the to the economy and our clients.

Leaders in responsible investment
Continuous improvement and innovation is core to how we do business. Every year, as a signatory to the PRI, we file our PRI Transparency Report. The PRI assesses all signatories' approaches to the Principles, and we were encouraged to receive our highest scores to date in 2019, with each module receiving a score of A+.



We were also delighted to see our London-based Global Equity Team be recognized with the Sustainable Equity Manager of the Year 2019 Award by Professional Pensions. The Professional Pensions Investment Awards celebrate industry excellence among asset managers within U.K. workplace pension schemes. The Global Equity Team's recognition demonstrates that investment excellence and ESG integration go hand-in-hand, as the award is based on excellence in sustainability, financial performance and relative growth in assets under management.

Active stewardship

We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors.

Collaboration

This year, RBC GAM became a member of the Sustainability Accounting Standards Board (SASB) Alliance and SASB's Investor Advisory Group. SASB's mission is to help businesses around the world identify, manage, and report on the sustainability topics that matter most to investors. We are delighted to join SASB in this mission and will continue to collaborate with issuers, regulatory bodies, and like-minded investors on best practices for material ESG disclosure.

Action against deforestation

After the breakout of unprecedented forest fires in Brazil and Bolivia in 2019, combined with the continued deforestation in these vital regions, RBC GAM signed the investor statement on deforestation and forest fires in the Amazon organized by the PRI.[1] Representing over 200 investors and USD $16 trillion in assets under management, the statement asks companies to address financially material deforestation risks through public disclosure of robust no-deforestation policies to:

1. Establish transparent monitoring and verification of suppliers' adherence to those policies; and
2. Provide annual reporting on deforestation risk exposure and management.

Notable engagement with the mining sector

This year, RBC GAM joined peers in an engagement with companies in the mining sector to discuss the issue of disclosures surrounding tailings management practices. This engagement resulted from the Burmadinho tailings dam collapse, which reinforced with new urgency the importance of companies properly managing safety risks related to all owned facilities. As a first step, the investor group requested that mining companies disclose all tailings facilities they are responsible for, so that proper due diligence can be conducted on the risks these facilities may hold.

Client-driven solutions & reporting

We align our solutions with client demand and provide transparent and meaningful reporting.

Principles in perspective

We publish topical ESG-related information for our clients, to provide them with insights on the issues we are thinking about and addressing in our investment activities.

In 2019, we published thought pieces on:

- The benefits of gender diversity for investors
- Financial implications of climate-related risk
- Investment return profile of socially responsible investing (SRI)
- Responsible investment and palm oil
- Cyber security and privacy
- Emerging issues anticipated in proxy voting season.

We encourage you to visit our website for these publications and more.

Furthering ESG Education

This year, our teams participated in several initiatives to raise awareness about responsible investment topics amongst the investment community. For example, we collaborated with two Canadian universities to support the development of sustainable finance courses for their MBA programs, to be launched in 2020.

Meanwhile, our Global Equity Team in London collaborated with the CFA Institute UK (CFA UK) to author a chapter of the materials for the CFA UK's new pilot program for training investment professionals in ESG.

[1] Principles for Responsible Investment. 230 Investors with USD $16.2 trillion in AUM Call for Corporate Action on Deforestation, Signaling Support for the Amazon.

Annual survey

In 2019, we published our fourth annual survey, Responsible Investment: An Evolving Landscape. The survey drew responses from nearly 800 participants from around the world, including the United States, Canada, Europe, the United Kingdom, and Asia. Respondents came from all corners of the investment business, including pension plan sponsors, consultants, foundations, and government organizations.

We encourage you to review the full survey results at the above link. Some of the broader global highlights are featured below.

Investors using ESG principles when they invest

70% Global

80% Canada

97% U.K.

65% U.S.

Top reasons why those surveyed apply ESG principles when investing:

Lower risk

Improve returns

53%
of all respondents selected performance (i.e. lower risk and improved return) as the most cited reason for incorporating ESG.

Act in clients' best interest

50%
of all respondents selected fiduciary duty (i.e. acting in clients' best interests). In Europe and the U.K., the number of respondents who listed fiduciary duty rose to 64.9% from 56.2% in 2018.

Top 3 ESG issues globally

In Canada, anti-corruption ranked number one.

In the U.S., it was cyber security.

In Europe and the U.K., it was climate change.

Who should take the lead in influencing companies to provide better ESG-related information

50%
Of those surveyed globally said shareholders

European, UK and Asian respondents selected government regulators first, followed by shareholders.

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. Below is a summary of how we voted in 2019.

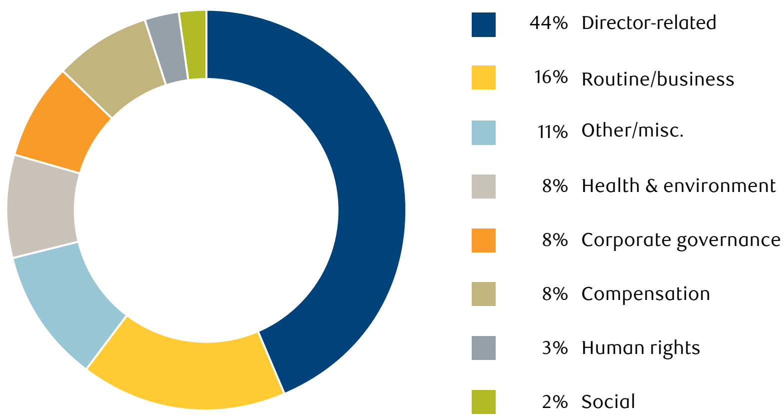
2019 Calendar Year - Proxy Voting Statistics				
	Canada	**U.S.**	**Overseas**	**Total**
Proposals	3,421	11,044	17,234	**31,699**
Votes WITH management	2,933	9,212	15,504	**27,649**
Votes AGAINST management	488	1,832	1,730	**4,050**
% of votes AGAINST management	14.3%	16.6%	10.0%	**12.8%**

Overview of our voting record by issue

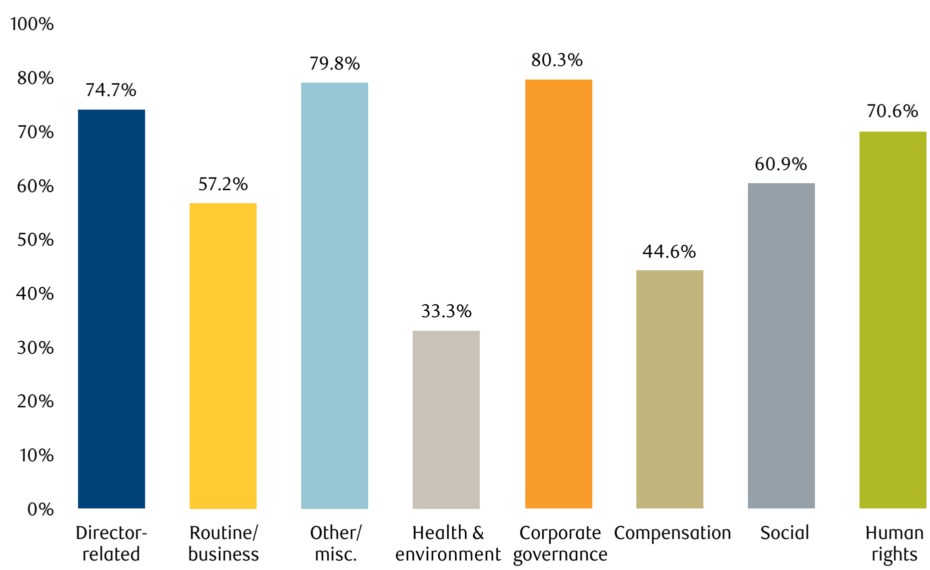
	Canada			U.S.			Overseas			Total		
Item category	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt
Adopt or amend proxy access right[2]	0	0	N/A	0	20	100.0%	0	0	N/A	0	20	100.0%
Amend articles/bylaws/charter to call special meetings	0	0	N/A	0	19	100.0%	0	0	N/A	0	19	100.0%
Amend or approve omnibus stock plan	1	10	90.9%	5	195	97.5%	7	18	72.0%	13	223	94.5%
Approve remuneration of directors	1	0	0.0%	1	0	0.0%	616	56	8.3%	618	56	8.3%
Approve remuneration report or policy	162	11	6.4%	847	118	12.2%	478	100	17.3%	1487	229	13.3%
Elect director	2224	342	13.3%	6894	1178	14.6%	4730	524	10.0%	13848	2044	12.9%
Gender pay gap	0	0	N/A	0	15	100.0%	0	0	N/A	0	15	100.0%
Green house gas (GHG) emissions	1	0	0.0%	1	3	75.0%	3	1	25.0%	5	4	44.4%
Link executive pay to social criteria	4	1	20.0%	1	9	90.0%	0	0	N/A	5	10	66.7%
Political contributions and/or lobbying disclosure	0	0	N/A	4	50	92.6%	0	1	100.0%	4	51	92.7%
Publish two degree scenario analysis	0	0	N/A	0	1	100.0%	0	0	N/A	0	1	100.0%
Ratify or approve auditors and their remuneration	294	3	1.0%	1038	8	0.8%	691	21	2.9%	2023	32	1.6%
Report on climate change or sustainability[3]	5	0	0.0%	0	3	100.0%	4	2	33.3%	9	5	35.7%
Report on equal employment opportunity	0	0	N/A	1	5	83.3%	0	0	N/A	1	5	83.3%
Require independent board chairman	0	0	N/A	0	48	100.0%	0	1	100.0%	0	49	100.0%

[2] Note that the statistics for the 'Adopt or Amend Proxy Access Right' Item Category do not include 2 proposals for proxy access put forward by management. In these cases, we voted WITH management on both proposals.
[3] Management supported one proposal under the 'Report on Climate Change or Sustainability' Item Category. After review, RBC GAM voted WITH management on the proposal.

Voting on shareholder proposals



Votes “FOR” by shareholder proposal category



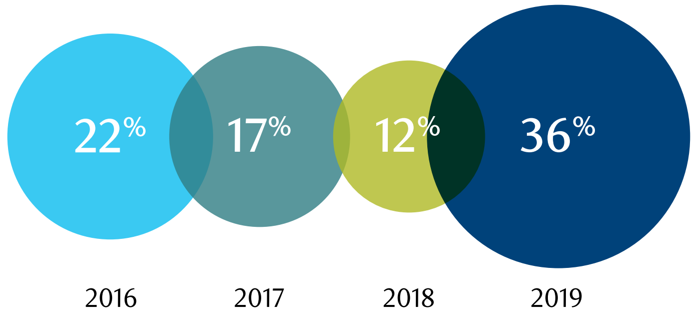
The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by BlueBay Asset Management LLP and externally managed sub-advised funds. Voting statistics account for proxy votes submitted by RBC GAM and may include instances where RBC GAM’s proxy votes were rejected 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 or logistical restrictions where voting would not be in clients’ best interests.

Voting on gender diversity

In our 2019 CGRI Semi-Annual Report, we discussed the global push for gender diversity on the boards of directors of publically listed companies, and the importance of gender diversity on the boards of our own investee companies. Our gender diversity policy continues to evolve, and this past year was no exception. Implemented for the 2019 proxy voting season, we updated our guidelines to state that we may vote against directors on Nominating or Corporate Governance committees if those boards have fewer than two female directors and lack an adequate diversity policy.

In 2016, we initiated our first guideline stating that we would potentially withhold votes from directors due to inadequate board diversity. This guideline applied to Canada only. This chart represents all votes against directors due to gender diversity concerns and illustrates the impact that our guideline on gender diversity has made over the years in Canada.[4] The largest jump occurred in 2019 as a result of our having increased our diversity threshold to two female directors.

Vote History – Gender Diversity in Canada (% votes AGAINST election of directors due to gender diversity concerns)

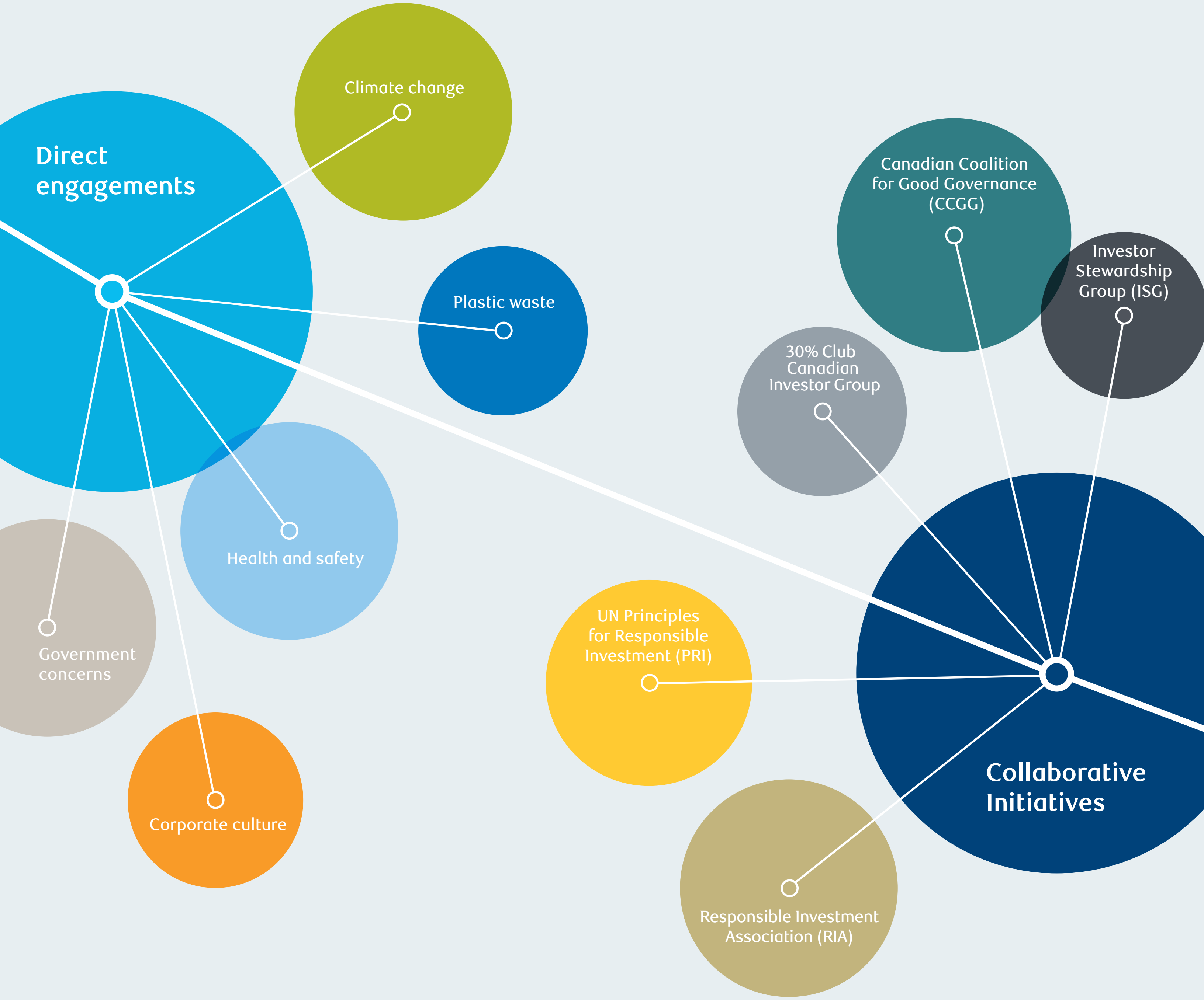


Voting against directors due to lack of gender diversity is one way for us to convey RBC GAM's view to the board that overall board effectiveness is enhanced by having directors with diverse backgrounds and experience.

However, the issue of gender diversity is not isolated to Canadian boards. In 2019, we expanded our guideline on gender diversity to apply to countries outside of Canada, in markets where the RBC GAM Proxy Voting Guidelines are applied. For example, this past year we voted against 38% of directors in the United States due to diversity concerns. By expanding the countries to which our gender diversity guideline is applied, we believe we are taking proactive steps to meet our objective of improving global board gender diversity.

Voting against directors due to lack of gender diversity is one way for us to convey RBC GAM's view to the board that overall board effectiveness is enhanced by having directors with diverse backgrounds and experience. Many times our voting intention sparks an engagement opportunity with our investment teams and leads to discussions with management regarding increasing gender diversity on their boards, or adopting appropriate policies with the aim of doing so. We hope that in the coming years, the boards of our investee companies will progress to satisfy the goal of the Canadian 30% Club Investor Group, which aims to have 30% of Canadian companies' board seats held by women by 2022, and of which RBC GAM is a signatory.

[4] In many cases, RBC GAM voted against the election of these directors due to a combination of board gender diversity and general corporate governance concerns.



Engagement and collaborative initiatives

As active stewards of our clients' assets, we are committed to ensuring that the companies in which we invest act in alignment with the long-term interests of our clients.

Direct engagements

Our investment teams meet with the management teams of investee companies on an ongoing basis, often discussing ESG-related risks and opportunities material to our investments. We completed more than 600 ESG engagements in 2019; a few highlights are provided below.

Climate change

We recognize that climate change is one of the most pressing issues of our time, and that it affects almost all sectors and industries. As such, our investment teams engage regularly with investee companies to discuss material climate-related risks and opportunities that they have identified.

- The North American Equity Team engaged with an integrated oil and gas company on their strategies and intentions regarding setting emissions-reduction targets amidst calls from shareholders for improvements in this area. Through the engagement, the company revealed that it was in the process of setting targets, but was focused on tying those targets to the capital plan, thus delaying their release. The company was also considering the recommendations of both the Task Force on Climate-Related Financial Disclosures and the Expert Panel on Sustainable Finance in Canada, and determining how these recommendations might shape the targets they put in place. Given the company's ongoing work and commitment at the board level, the team considers this an ongoing engagement and is monitoring progress.
- The European Equity Team met with a French company to discuss the impacts that changing oil demands in a transition to a low carbon economy could have on the company's fleet and mobility business. The company remained confident in the business's long-term potential, aiming to shift towards other freight management services and providing electric vehicle solutions as oil usage declines, thus alleviating some of the team's concerns.

Plastic waste

Over the past few years, we have seen a push to reduce the amount of plastic pollution being generated across the world.

Looking ahead, there is the potential for increased regulatory oversight and higher costs related to plastic packaging. With activism on the rise, companies in certain sectors face reputational risks if they do not address their plastic pollution and recycling programs.

- The Asian Equity Team engaged with the management team of a Southeast Asian convenience storechain about lowering the usage of plastic bags. The company is aware that the use of plastic bags is a significant contributor to worldwide plastics waste, and is a material risk for the company itself. Since the engagement, our team has witnessed notable improvement in the company's practices – staff are now trained to ask whether a customer requires a plastic bag rather than automatically bagging purchases, and the company has committed to banning the use of plastic bags across the entire chain by early 2020.
- The Emerging Markets Equity Team engaged with a consumer goods company on its approach to plastic packaging. Beyond the company's commitment to 100% recycled plastic packaging by 2025, the team was particularly encouraged by the company's drive to help create an industry-wide plastics protocol. This included their sharing of recycling solutions with the broader industry. The company's efforts have been particularly focused on coastal areas due to the risk of plastics leaking into the ocean, providing further evidence that the company is taking a nuanced and thoughtful approach to this material issue.

Health & safety

Strong health and safety policies can provide a great deal of information to investors about how management is approaching the prevention of hazardous accidents. A proactive approach in this regard can reduce the potential for reputational damage, legal costs, and operational costs for a company, which can result in stronger financial performance for investors.

- The Global Fixed Income Team engaged with a French infrastructure group following the 2018 collapse of the Morandi Bridge in Italy. While the company has no ties to the specific incident, it highlighted potential industry-wide concerns. They discussed the impact of the accident on the industry and the reaction of French regulators in response to the event. The engagement also covered safety standards, the frequency of safety checks and regulatory audits, staffing levels, general maintenance requirements, and how the company's processes have become more stringent since the tragedy in Italy. The background, input, and context provided during the engagement allowed the team to form a better view on the company's risk management practices.
- The BlueBay Asset Management Emerging Market Debt Team engaged with one of the world's largest steel producers following the January 2019 collapse of a tailings dam in Brazil. The company was not associated with the dam that failed, but has an active tailings dam in the same region. Given increased regulatory scrutiny over tailings dams, and the need for operators to decommission any active structures by August 2021, the team asked the company how they were preparing for this shift. The company stated that they were investing in decommissioning parts of the dam and transitioning towards safer and more environmentally-friendly dry stacking technology. While the team found the company's updates encouraging, they feel that they still have a ways to go if it is to keep pace with leading peers in the sector to mitigate their ESG risk exposure. The team will continue to monitor the company's progress.

Corporate culture

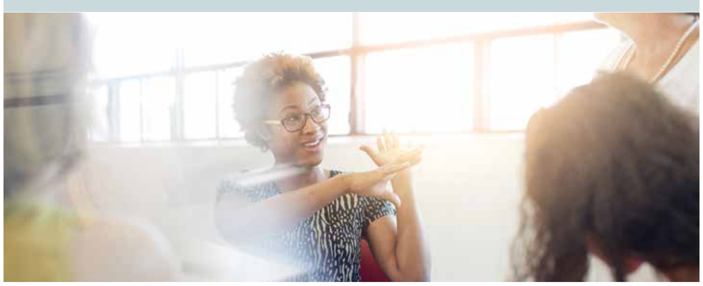
The development of human capital and strong employee culture can have material implications for the long-term sustainability of a business, as higher levels of job satisfaction among employees can correlate with stronger financial performance from companies.

- The U.S. Equity Team met with the local leadership team of a specialty pharmaceuticals company on a recent visit to a manufacturing facility. Employee retention was mentioned as a priority for the company, and management highlighted employee safety, education, training, and development as critical to retaining key talent, especially in a low-unemployment economy. Management also discussed the importance of corporate involvement in local communities, and talked about a program encouraging employees to invest and volunteer in communities all over the world. The team was encouraged by the priority management placed on these issues, especially in an industry constantly competing for talent and innovation.
- The Global Equity Team used a unique approach to assess the culture at a U.S. technology company. The team set up a series of calls via its expert network to understand the customer experience at the company. This entailed one-on-one interviews with a number of the company's clients, including a call with the Chief Information Officer of a U.S. state university. This exercise strengthened the team's existing views on the investee company's culture, and its focus on customer satisfaction.

• Governance concerns

Executive management renewal is an important component of the overall effectiveness of a business. However, if a significant part of a management team turns over, it can cause uncertainty for investors. In addition, our investment teams believe that management incentives are a key consideration in driving value in the business. Proper alignment between executive pay and performance, combined with an appropriate compensation structure, can incentivize executives to achieve strategic targets.

- The Phillips, Hager & North Investment Management (PH&N) Fixed Income Team was monitoring a case of potential political influence at a Canadian government-owned entity. The market was concerned that political pressures would result in turnover of the management team, and the uncertainty had negatively impacted the company's credit rating and outlook. The team wrote a letter to the government entity, outlining its concerns and requesting that it communicate more openly with rating agencies. The government entity responded and the team has since seen positive developments in the company's credit ratings and outlook.
- The PH&N Canadian Equity Team noted several red flags in its analysis of the executive compensation package at a Canadian energy company. The team engaged with the company's board and raised issues concerning severance packages, and whether the compensation structure properly aligned executive compensation with company performance. The board provided additional context regarding its severance packages and listened to the team's feedback on compensation plan structure. This engagement is ongoing, and the team is monitoring the company's progress.



These examples comprise a small selection of the hundreds of engagements our investment teams complete in any given year. For further information on these and RBC GAM's additional stewardship activities, please refer to www.rbcgam.com/cgri.

Collaborative initiatives

We participate in numerous collaborative initiatives on ESG topics. Highlights of our activities in 2019 include:

Canadian Coalition for GOOD GOVERNANCE
THE VOICE OF THE SHAREHOLDER

Canadian Coalition for Good Governance (CCGG)
Representing the interests of institutional investors, CCGG promotes good governance practices at Canadian public companies. It also seeks to improve the regulatory environment to promote the efficiency and effectiveness of the Canadian capital markets, and align the interests of boards and management with those of their shareholders. RBC GAM is a founding member of CCGG, and RBC GAM's Chief Investment Officer is a past Chair, and a current Director. RBC GAM's Vice President and Head of Corporate Governance & Responsible Investment is a member of CCGG's Public Policy Committee.

RBC GAM is an active participant in CCGG's collective engagement program. In 2019, CCGG completed 34 collective engagements. We also actively participated in a variety of regulatory initiatives relating to corporate governance and shareholder rights, including the following:

- Letter to the Canadian Securities Administrators (CSA) on proposed amendments to the business acquisition report (BAR) requirements
- Letter to Ontario Ministry of Government and Consumer Services on amendments to the Ontario Business and Corporations Act
- Letter to Ontario Securities Commission on its Draft 2019-2020 Statement of Priorities
- Letter to the U.S. Securities and Exchange Commission on Proxy Advisors
- Submission to the Ontario Securities Commission: Burden Reduction

30% Club Canadian Investor Group
RBC GAM is a signatory to the 30% Club Canadian Investor Group. This is a coalition of Canada's largest institutional investors seeking to achieve a minimum of 30% women on the boards and in senior management roles of S&P/TSX Composite Index companies by 2022.[5] In 2019, we led three engagements with companies to encourage boards that may be lagging on gender diversity at the board and management level. We look forward to continuing to contribute to the group's efforts and reporting on our progress. As discussed in our last semi-annual report, we updated the RBC GAM Proxy Voting Guidelines in 2019 in an effort to enhance board gender diversity at our investee companies. This has facilitated numerous engagement opportunities with our investee companies on this topic.

Investor Stewardship Group (ISG)
RBC GAM is a founding member of the ISG, a collaboration of institutional investors working to establish a framework of standards for institutional investors and corporate governance principles at U.S.-listed companies. The ISG held its first annual ISG/Corporate Issuers Conference in 2019, bringing together investors and corporate issuers to discuss corporate governance and stewardship. The conference also presented an opportunity for ISG members to meet and discuss the strategic direction of the initiative, as well as the Commonsense Principles 2.0 released in 2018. Much of the discussion was focused on the Business Roundtable's 2019 Statement on the Purpose of a Corporation.[6]

PRI Initiatives
We continually engage with companies' boards regarding the oversight of their cyber and privacy risk management. In 2019, we concluded a collaborative engagement that included 50 institutional investors and the PRI. The engagement commenced in 2017, and was aimed at enhancing company disclosure of cyber risk and governance. In particular, we led a series of meetings with management of a FTSE 100 company to discuss areas of risk related to cybersecurity. The company provided greater insight into their risk mitigation processes, and provided an open door to continued engagement with the company on this material issue.

Responsible Investment Association (RIA)
RBC GAM is a sustaining member of the RIA, Canada's industry association for responsible investment. Our Vice President and Head of Corporate Governance and Responsible Investment sits on the Board of Directors. As an active member of the RIA, we participated in many of its activities during the year, including the association's submission of letters to the Prime Minister of Canada, the Minister of Environment and Climate Change, the Minister of Finance, and the Minister of Natural Resources. The letters reiterated RIA members' support for the recommendations of Canada's Expert Panel on Sustainable Finance. This followed the RIA's publication of a public statement of support for the Expert Panel's June 2019 report, Mobilizing Finance for Sustainable Growth.[7] RBC GAM is aligned with the RIA in its support for the implementation of the Expert Panel's recommendations.

[5] 30% Club Canadian Investor Group. 30% Club Canadian Investor Group: Statement of Intent. Available at rbcgam.com/ri
[6] Business Roundtable. Our Commitment.
[7] Government of Canada. Final Report of the Expert Panel on Sustainable Finance - Mobilizing Finance for Sustainable Growth.

Focus on: Approach to ESG integration in Asian equities

RBC GAM's Asian Equity Team believes that incorporating ESG factors into the investment process allows for a more robust risk assessment, and the team has engaged on ESG issues since its investment track record began in 2014.

The team's approach to incorporating ESG factors is not one distinct step in the investment process; rather, the consideration of these factors is embedded throughout the process. To do this, the team collects and analyzes information from a broad array of sources, including external data providers and, more importantly, on-the-ground channel checks. The data points gathered from these sources can be both quantitative and qualitative.

At the initial stage of the investment process – which the team refers to as systematic prioritization – the team's in-house quantitative scoring model incorporates third-party ESG data sources. This model allows the team to narrow down the number of stocks for fundamental research. At the fundamental research stage, the analysts meet with management and incorporate ESG questions into their in-house checklist. Finally, the portfolio construction stage is made up of the analysts' best ideas. This process is ongoing, and after a stock has been incorporated within the portfolio, the team continues to consider ESG factors at both a stock and portfolio level, and continues to update each of their holdings' profiles over time.

For companies that the team owns in their portfolio, the team thoughtfully exercises the voting rights of the accounts they manage with a view to enhancing the long-term value of the securities held, and by extension, the long-term performance of client portfolios.

The team also actively engages with all of its investee companies. The analysts and portfolio managers raise any material ESG-related concerns to better understand how the company is approaching these risks and opportunities, and uses the opportunity to convey its views on these issues.

Investable universe	Systematic prioritization	Fundamental research	Portfolio construction
▪ Asia ex-Japan companies ▪ Minimum market cap filter (US$100M) ▪ Minimum liquidity threshold (US$5-10M ADTV)	▪ In-house quant scoring model ▪ Deprioritize stocks with suboptimal risk/returns ▪ ESG / Aggressive accounting	▪ Team interaction/ Documentation ▪ Management meetings ▪ Investment checklist/ Research note	▪ Analyst best ideas ▪ No underweight positions ▪ High awareness of risk, aligned with stock conviction

Source: RBC GAM; specific stock numbers vary by fund

Focus on: Assessing climate risk using geospatial analytics

As long-term investors, we recognize that climate change will have impacts on economies, markets and societies. This poses both risks and opportunities to our investments.

By integrating these considerations into our investment approach, we can add value while controlling for risks. Therefore, we have been working with new tools and approaches to better assess and understand the potential impacts of climate-related risks on our investments.

Climate-related risks, such as flooding and wildfire, are particularly relevant to commercial real estate, as they may result in significant damage to properties. This can lead to both temporary and long-term impacts on property value and income generation in the affected areas.

In 2019, the PH&N Mortgage Investment Team used our proprietary geospatial analytic capabilities to overlay flood and wildfire datasets with one of their mortgage portfolios. The portfolio's climate risk profile and property exposure to flood risk (1:100 year return period), and wildfire risk (<1:500 year return period).

Since risk ratings are typically established based on historical data and trends, they may not accurately capture risks and returns under future climate change scenarios. Taking this into account, the team also evaluated the potential change in risk events under a 2˚C and 4˚C climate scenario. The team then analyzed the resulting impact on their mortgage portfolio, and considered how the insights could be used to better understand and price future risk events. This analysis focused on flood risk, as it is the fastest-growing and costliest risk for major urban centres in Canada.

As we advance our approach to climate change, we will continue to explore the applications of such analysis in enhancing our climate risk assessment and risk management capabilities across our commercial mortgages investments and others.

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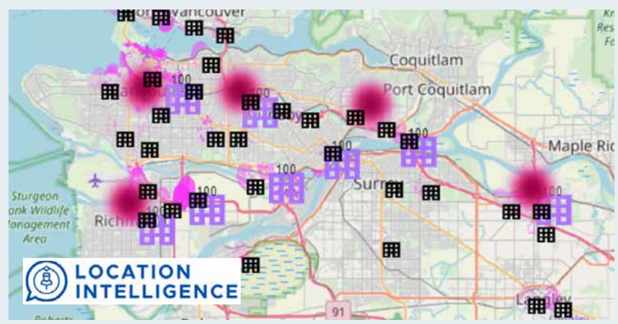
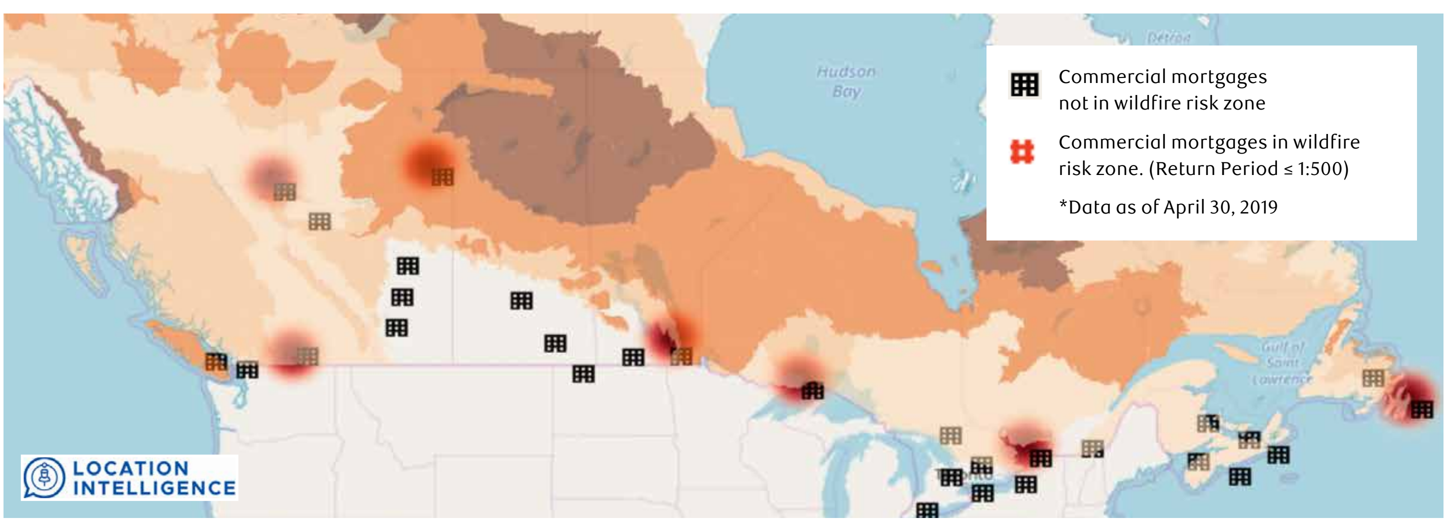
Geospatial analytics refers to the collection, representation, and detailed examination of location-based information (e.g., demographics, purchase behaviours, weather). This enables, for example, the modelling of where floods, wildfire, or other natural hazards are, or where they will occur based on topographic, development, hydrological, and meteorological data. Physical assets, such as real estate or infrastructure, can therefore be evaluated in relation to the natural hazards they face and other location-based information. The existence of real-time data streams also provides the possibility of analyzing changes in risk over time, and the optimization of business-specific operations such as production, supply chain management, or emergency response.



Example: flood risk in Greater Vancouver Area

Example: Wildfire risk in Canada



RBC Global Asset Management

For more information on RBC GAM's approach to corporate governance and responsible investing, visit **rbcgam.com/cgri**.

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