Our Approach to Climate Change
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Introduction

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

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

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

The impacts of climate change are systemic and unprecedented. They’re also already apparent. While climate change has the potential to affect the global economy, the economic impacts on specific markets, regions, and investments are complex, varied, and uncertain. Governments, companies, consumers, and investors each have a role to play in addressing climate-related risks. As asset managers and investors, and stewards of our clients’ assets, we believe considering material climate-related risks and opportunities in our investment approach, where applicable, can enhance our long-term risk-adjusted returns.

Board oversight, management accountability, and cross-enterprise collaboration are essential for effective implementation. It is for this reason that RBC GAM’s Approach to Climate Change has been approved by the RBC GAM Leadership Committee, which reviews and monitors progress against our commitments on an annual basis. The Corporate Governance and Responsible Investment (CGRI) team and our investment teams are primarily responsible for implementation. Our Chief Investment Officer (CIO) serves as the ultimate investment risk owner.

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

Damon Williams, Chief Executive Officer, RBC GAM

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

Daniel E. Chornous, Chief Investment Officer, RBC GAM

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1 In this document, references to RBC GAM (we, our or us) include the following affiliates: BlueBay Asset Management LLP (BlueBay), RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, and RBC Global Asset Management (Asia) Limited, which are separate, but affiliated subsidiaries of RBC.

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

3 Intergovernmental Panel on Climate Change (2019). Link
# Our Approach to Climate Change

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

**Our commitments**
- We recognize the importance of the global goal of achieving net-zero emissions by 2050 or sooner, in order to mitigate climate-related risks.
- Our investment teams integrate material climate change factors into their investment processes for applicable types of investments.
- We analyze issuer and portfolio-level climate risks and opportunities, for applicable types of investments.
- We use active stewardship to encourage the management of material climate-related risks and opportunities, where applicable.
- We collaborate with like-minded investors, where interests are aligned.
- We provide climate-based solutions to meet client needs.
- We provide transparent disclosures on climate change.
- We maintain carbon neutrality in our global operations.¹

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

¹ As described in the [RBC Climate Blueprint](#).
Integrating climate change

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

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

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

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

Addressing climate change in our operations

- Maintain carbon neutrality in our global operations with a decreasing reliance on offsets annually.¹
- Reduce greenhouse gas (GHG) emissions by 70% by 2025.²
  Increase our sourcing of electricity from renewable and non-emitting sources to 100% by 2025.³
- Minimize waste at RBC GAM through demand management and recycling of electronic, paper, and plastic waste.

¹As described in the RBC Climate Blueprint.
²Ibid.
³Ibid.
Key commitments

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

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

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

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

We hold ourselves accountable and provide climate-related disclosures.

- Responsible investment, inclusive of climate change, is a strategic priority.
- The Chief Investment Officer is responsible for overseeing and managing all investment activities and is the ultimate investment risk owner responsible for climate change.
- We are formal supporters of the Task Force on Climate-Related Financial Disclosures (TCFD), and are committed to publishing annual TCFD reports.
- We measure, monitor and disclose the carbon emissions of our applicable assets under management (AUM) using established methodologies and best practices.
- We conduct climate scenario analysis to assess the impact of different climate pathways on applicable investments, including 1.5°C and 2°C scenarios, and disclose these accordingly.

We address net-zero in our own operations.

- We understand our obligation to mitigate emissions within our own operations, and have maintained carbon neutrality in our global operations since 2017.
- We have set emission reduction targets for our operations. We measure emissions according to the GHG Protocol, and report annually on progress.
- The Royal Bank of Canada (RBC) has committed to achieving net-zero emissions by 2050 in its lending portfolio and is a signatory to the Net-Zero Banking Alliance.¹

¹See RBC Climate Blueprint.
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Perspectives on fossil fuel investment

RBC GAM generally does not exclude any particular investment or industry based on ESG or climate-related factors alone. However, we do offer specific strategies that apply exclusions, which includes fossil fuel free strategies that are available in some geographies. We also work with our institutional clients to provide solutions that meet their needs, which may include specific exclusions and approaches for managing climate-related risks and opportunities. We continue to work with our clients to improve transparency and reporting on climate-related risks and opportunities, and to expand investment solutions.

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

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

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

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