RBC Global Asset Management

Commitment to the UK Stewardship Code

RBC Global Asset Management | 2024

Our 2024 Annual Stewardship Report is currently under review by the Financial Reporting Council (FRC). RBC Global Asset Management is a signatory to the UK Stewardship Code 2020. RBC Global Asset Management's 2023 Stewardship Report met the expected standard of reporting of the FRC.

About this report

References to RBC GAM include the following affiliates: RBC Global Asset Management Inc. (including PH&N Institutional), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited, and BlueBay Asset Management LLP. For clarity, and consistent with RBC GAM's Approach to Responsible Investment, RBC Indigo Asset Management Inc. is not covered by this document.

This stewardship report sets out RBC GAM's submission to the Financial Reporting Council (FRC) demonstrating how we have applied the UK Stewardship Code 2020's principles in the calendar year to December 31, 2024 (reference period).[1] This document covers our approach to stewardship and discusses our investments that integrate environmental, social, and governance (ESG) factors. It also includes our views on systemic ESG factors that may be material to investments and our portfolios. ESG factors are considered by our investment teams to varying degrees and weights of importance, depending on the investment team's assessment of that ESG factor's potential impact on the performance of the security and/or the portfolio. For portfolios where ESG factors do not form a part of their investment objective or principal investment strategy, ESG factors are generally not likely to drive investment decisions on their own, and in some cases, may not impact an investment decision at all.

References to our investment approach, applicable types of investments, and applicable assets under management (AUM) exclude certain investment strategies, asset classes, exposures, or security types that do not integrate ESG factors. Examples of strategies that 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.

RBC GAM's approach to active stewardship, proxy voting, and engagement may encompass a range of subjects, which may or may not include ESG-related matters. References to active stewardship do not apply to certain investment strategies where proxy voting and/or engagement are not used. For instance, there is no engagement with issuers in quantitative investment, passive, and certain third-party sub-advised strategies, and RBC GAM does not manage proxy voting for certain third-party sub-advised strategies.

In some instances, strategies, policies, and risk management processes may differ for RBC GAM affiliates.

[1] On April 1, 2023, with the exception of its Collateralized Loan Obligations (CLOs) business, BlueBay Asset Management LLP asset management business was transferred to RBC Global Asset Management (UK) Limited and the consolidated business operates under the name RBC BlueBay Asset Management (RBC BlueBay). On April 1, 2023, with the exception of its Collateralized Loan Obligations (CLOs) business, BlueBay Asset Management LLP asset management business was transferred to RBC Global Asset Management (UK) Limited and the consolidated business operates under the name RBC BlueBay Asset Management (RBC BlueBay).

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A note on ESG information and terminology

ESG information

Responsible investment-related activities reported in this document (including analysis and engagements) are provided as illustrative examples and do not necessarily represent a complete list of those carried out during the reference period. Where data is provided on ESG engagement activities, it is possible the data provided may understate our actual instances of ESG engagement, as not all engagements are necessarily documented (e.g., because ESG was not a material part of a discussion, or because documentation is conducted on a best-efforts basis). Engagement data is related to issuer ESG engagements (either bilateral or responsible investment industry initiatives) only. However, there may have been engagement with other stakeholders during the reference period. The data refers to the number of ESG engagement instances with issuers (of relevance to the investable universe). These may be held or not held in the portfolio during the period. ESG engagements may be tagged under multiple ESG topics.

Where the report references industry affiliations/professional associations, these are not an endorsement by any third-party to invest with RBC GAM and are not indicative of future performance. Investors should not rely on awards/industry affiliations/professional associations and should conduct their own review prior to investing. Some memberships/affiliations require a fee payment and confer benefits to investor members, such as access to resources and support to facilitate ESG incorporation efforts and attendance at convened events. Unless otherwise stated, the signatory/ membership status is with RBC GAM and related to the organization, and is not related to funds. Further information is available upon request (noting that in many instances information will be available directly from public disclosures of the organization itself).

ESG terminology

Responsible investment (RI) is an umbrella term used to describe a broad range of approaches for incorporating ESG considerations into the investment process. These approaches are not mutually exclusive; multiple approaches can be applied simultaneously within the investment process. For instance, a solution applying exclusionary criteria to the investment universe can also apply ESG integration to remaining assets eligible for investment.

At RBC GAM, RI includes the following investment strategies:

- ESG integration: Ongoing incorporation of material ESG factors[2] into investment decision making with an aim to identify potential risks and opportunities and improve risk-adjusted, long-term returns.
- ESG screening & exclusion: Applying positive or negative screens to include or exclude assets from the investment universe.
- Thematic ESG investing: Investing in assets involved in a particular ESG-related theme or seeking to address a specific ESG issue.
- Impact investing: Investing in assets with the intent to generate a measurable positive social or environmental impact alongside a financial return.

ESG refers to a set of factors – environmental, social and governance-related – that may be considered in investing.

- Environmental factors refer to how an issuer interacts with the environment and vice versa. Examples include climate change and natural resource management.
- Social factors refer to how an issuer interacts with its employees, customers, and communities. Examples include labour practices and community relations.
- Governance factors refer to how the issuer governs itself. Examples include board structure and independence, and bribery and corruption.

ESG engagement refers to communication between investors and the boards, management teams, or other applicable representatives of the issuer, as well as other stakeholder groups (e.g., policymakers, regulators, or other investors) of relevance to the issuer. Where there is ESG engagement, a variety of engagement methods may be employed depending on a number of different factors and considerations, with the decision based on what investment teams consider to be most appropriate and effective for their desired engagement objective. The outcome of an engagement is generally not the sole factor in an investment decision. Instead, the information obtained from engagements on material ESG factors can help inform the investment case. Further information is available upon request.

[2] References in this document to material ESG factors refer to ESG factors that in our judgement are most likely to have an impact on the financial performance of an issuer, security, and/or investment portfolio. More information on how our investment teams determine materiality is provided later in Principle 7.

References to carbon emissions refer to CO_2 equivalents and are inclusive of *greenhouse gases (GHG)*. This includes the six GHGs considered in the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6). The GHG Protocol categorizes GHG emissions into three scopes: scope 1 emissions refers to direct emissions occurring from sources owned or controlled by an organization; scope 2 emissions are indirect emissions from the generation of purchased electricity, heat or steam by an organization; and scope 3 emissions are indirect emissions resulting from sources that are not owned or directly controlled by an organization, but that occur throughout their value chain.

RI industry initiatives relate to our participation in initiatives that work to increase transparency, protect investors, and foster fair and efficient capital markets.

Market-wide risks are defined by the FRC as those that lead to financial loss or affect overall performance of the entire market and include, but are not limited to, changes in interest rates, geopolitical issues, and currency rates.

Systemic risks are defined by the FRC as those that may lead to the collapse of an industry, financial market, or economy and include, but are not limited to, climate change and the failure of a business or group of businesses.

Stakeholders, as defined by the FRC, may include investors, issuers, service providers, policymakers, audit firms, not-for-profits, regulators, associations and academics.

Introductory message

RBC GAM was pleased to have been named a signatory to the UK Stewardship Code for our 2023 report. The UK Stewardship Code aims to promote the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment, and society.

As part of our commitment to the UK Stewardship Code, we have submitted the RBC GAM 2024 Commitment to the UK Stewardship Code, which addresses each of the 12 principles of the Code in turn. In order to continue to improve upon our reporting, the enclosed Report incorporates several updates to our 2023 Commitment to the UK Stewardship Code. The report includes:

- Updates to Our Approach to RI
- Updates to ESG integration, escalation, and engagement case studies from our 2023 Commitment to the UK Stewardship Code (Principles 7, 9, 11, and 12)
- Updates to our RI policies, including the RBC GAM Proxy Voting Guidelines (Principles 4 and 5)

This report has been reviewed and approved in its entirety by the RBC GAM Leadership Committee (Leadership Committee), which includes the Head of the RI team, the Chief Investment Officer (CIO), and the Chief Executive Officer (CEO).

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

UK Stewardship Code Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

At RBC GAM, our approach to RI is anchored by the knowledge that our clients have entrusted us to help them secure a better financial future for themselves or for the beneficiaries of the portfolios they manage. As an asset manager, RBC GAM has an obligation to act in the best interests of the accounts that we manage, including segregated client accounts and investment funds (collectively, "portfolios"). We seek to maximize investment returns for our clients without undue risk of loss, within the limits described in each investment mandate. We believe that being an active, engaged, and responsible investor empowers us to enhance the risk-adjusted, long-term performance of our portfolios. Our Approach to RI, updated in September 2024, sets out RBC GAM's overall approach to RI and discusses our investments that integrate ESG factors. It also includes our views on systemic ESG factors that may be material to investments and our portfolios.

Our values

RBC GAM's purpose is to deliver exceptional investment outcomes and valued insights to clients. This inspires everything we do and drives our five core values:

- **Client first**: We will always earn the right to be our clients' first choice.
- **Collaboration**: We win as One RBC.
- **Accountability**: We take ownership for personal and collective high performance.
- **Diversity & Inclusion**: We embrace diversity for innovation and growth.
- **Integrity**: We hold ourselves to the highest standards to build trust.

Our RI beliefs

At RBC GAM, we believe that:

- Being an active, engaged, and responsible investor empowers us to enhance the risk-adjusted, long-term performance of our portfolios and is consistent with our fiduciary duty.
- Issuers that manage their material ESG factors and related risks will likely reduce the probability of experiencing losses that would accompany an ESG-related incident.
- Engagement through direct dialogue with issuers and other stakeholders of relevance can be an effective way to consider how issuers manage material ESG factors.
- Initiatives that increase transparency and foster fair and efficient markets can benefit investors and clients globally.

Our Approach to RI is comprised of three pillars. We take specific actions under each of these pillars to deliver on our aim of maximizing our clients' investment returns without undue risk of loss, in accordance with the investment objectives, strategies, and restrictions of each investment mandate[3]

ESG integration

Our investment teams incorporate material ESG factors into their investment decisions for applicable types of investments.

Active stewardship

We consider material ESG factors in proxy voting and engagement with issuers for applicable types of investments. We may also participate in RI industry initiatives, where applicable.

Client-driven solutions and reporting

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

Systemic ESG factors

As described in our three pillars, we consider material ESG factors that may affect the risk-adjusted, long-term returns of our investments and portfolios. While any ESG factor may be material to an investment or portfolio, we believe that there are certain systemic ESG factors that are likely material to issuers across most sectors and geographies. Such systemic ESG factors include governance, climate change and nature, and human rights. These factors may pose investment risk as well as potential systemic risks due to their ability to affect economies, markets, and/or society more broadly. In addition to the actions we take under the three pillars of Our Approach to RI, we aim to conduct additional research, assess data, and deepen knowledge on these systemic ESG factors and how they may affect our investments and portfolios. We also aim to provide transparent reporting on our activities related to these factors.

Our approach to managing our investments' exposure to these systemic ESG factors is grounded in the following additional, factor-specific beliefs.

Governance

We believe that issuers with good governance practices generally:

- are better able to focus on long-term sustainable growth;
- are more likely to effectively manage conflicts;
- pose less risk for equity investors due to proper alignment of shareholder and management interests;
- are more likely to be able to access fixed income markets when needed; and
- are more likely to effectively manage material environmental and social risk factors.

Climate change and nature

We believe the following:

- Climate- and nature-related factors are systemic risks that may materially affect issuers and the economies, markets, and societies in which they operate.[4]
- Mitigating GHG emissions may reduce the systemic risks that climate change poses. We recognize the importance of the global goal of achieving net-zero emissions by 2050 or sooner, in order to mitigate climate-related risks.[5]
- Engaging with issuers that are significant emitters of GHGs may contribute to reducing the systemic risks of climate change for our investments and portfolios. Additionally, engaging with issuers that are not adequately managing their material climate-related risks may contribute to enhancing risk-adjusted, long-term performance of those issuers.

[3] Additional details on specific investment teams' processes or product level information can be found on our website.
[4] Nature-related factors include risks, opportunities, impacts, and dependencies, as described by the TNFD. Biodiversity loss is one type of nature-related factor.
[5] This goal refers to the Paris Agreement and the associated global 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. According to the Intergovernmental Panel on Climate Change (2019), in order to meet this goal, GHG emissions must decline by approximately 45% by 2030, relative to 2010 levels, and reach net-zero emissions by 2050 or sooner. Net-zero emissions refers to achieving a balance between the GHG emissions produced, and those removed from the atmosphere.

In addition to the three pillars of Our Approach to RI, we may take the following actions related to climate change and nature:

- Measuring, monitoring, and reporting on the carbon emissions and net-zero alignment of applicable investments and portfolios, as well as conducting and reporting on climate scenario analysis.[6]
- Developing and implementing a plan to actively engage with issuers for whom we believe climate change is a material financial risk and who we believe are not managing this risk effectively via their existing emissions reduction targets and/or transition plans.
- Working with institutional clients to support them in achieving their portfolios' climate objectives, where this is part of the investment mandate.
- Producing an annual RBC GAM Climate Report, guided by the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).[7] We note the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD),[8] and provide some nature-related disclosures in our annual RBC GAM Climate Report.

Human rights

We believe the following:

- Respecting international human rights standards supports a stable, resilient business operating environment, and well-functioning global capital markets. International human rights standards include, but are not limited to: the Universal Declaration on Human Rights, the International Bill of Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, United Nations Guiding Principles on Business and Human Rights (UNGPs), and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).
- Actual or potential adverse human rights impacts may lead to material financial, legal, regulatory, operational, and/or reputational risks to issuers.
- Issuers that implement mechanisms to identify affected stakeholders and address potential or actual adverse human rights impacts may be more effective at managing material human rights risks resulting from their supply chains, operations, customers, and/or end users.
- As referenced in the RBC Approach to Human Rights, human rights factors that may be material to our investments and portfolios include, but are not limited to: modern slavery, Indigenous rights, workplace-related rights, discrimination, and privacy.

[6] Additional information on the scope of applicable investments and portfolios for the calculation of carbon emissions, net-zero alignment, and climate scenario analysis metrics is provided in our annual RBC GAM Climate Report.
[7] The TCFD recommendations are now incorporated into the International Sustainability Standards Board (ISSB) Standards, which are overseen by the International Financial Reporting Standards (IFRS) Foundation.
[8] The TNFD aims to provide organizations with a risk management and disclosure framework to address nature-related dependencies, impacts, risks, and opportunities. The framework is designed to provide useful information and assist capital providers and stakeholders with their decision making.

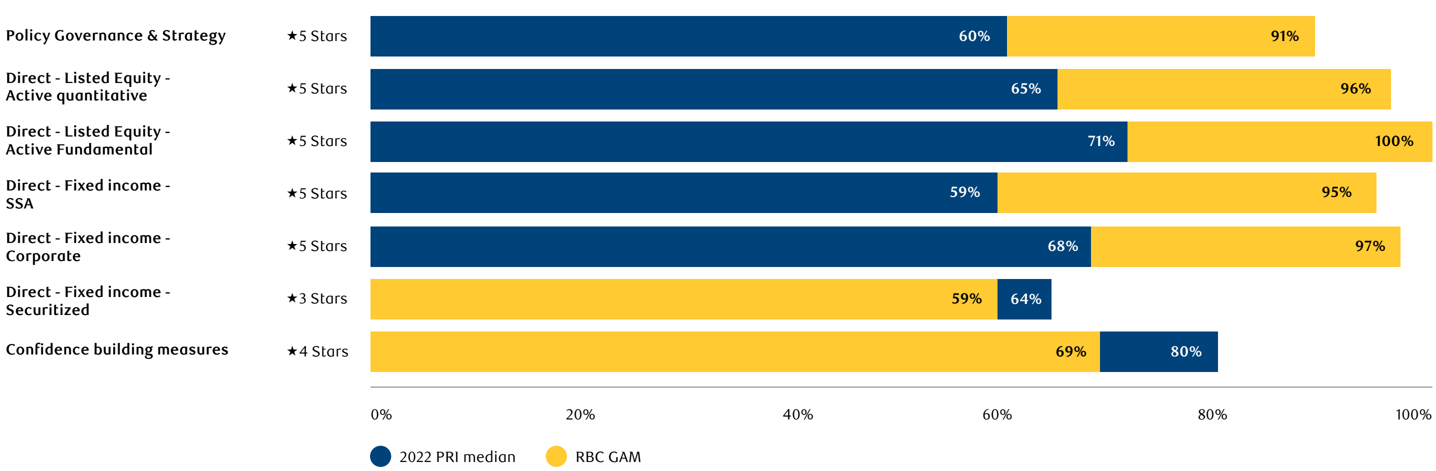
Measurement

RBC GAM's purpose is to deliver exceptional investment outcomes and valued insights to our clients. We measure our performance against the specific investment goals of our clients and the investment mandates that we manage on their behalf including related benchmarks, where applicable. We also track client satisfaction to assess our effectiveness in serving our portfolios' best interests.

Continuous improvement and innovation are significant to how we do business, and as a signatory to the United Nations Principles of Responsible Investment (UN PRI), we submit and publish a Transparency Report. The UN PRI assesses all signatories' alignment with the PRI's six principles, and each of our assessed modules in the 2023 Assessment Report received scores of three or more stars, with five of seven assessed modules receiving five stars.[9] Each assessed module is assigned a numerical score ranging from 0-100 and a corresponding star rating, ranging from one (low) to five (high) stars.

In 2024, the PRI gave existing signatories meeting certain criteria the option to forgo filing a Transparency Report for the period, as the PRI was in the process of evaluating the reporting framework, and the reporting framework had remained unchanged in 2024 relative to 2023. Given the resources required to complete the filing, our existing disclosures – such as our annual RBC GAM Climate Report and UK Stewardship Code Report – and the static nature of the reporting framework in 2024, we decided that we would not complete a submission in 2024, which would have covered activities during the 2023 calendar year.

2023 PRI Assessment – Summary Scorecard



[9] The group to calculate module medians includes all UN PRI signatories who submitted and were eligible to report on the module. As part of the paid annual membership services, the UN PRI evaluates signatories' approaches to the Principles based on its assessment methodology. Once the responses are assessed, all indicator scores are aggregated and modules are assigned a numerical score, converted from a points-based system ranging from 0 to 100. Our firm's full transparency report as one of over 2,000 signatories can be found here: RBC GAM PRI Transparency Report. Our firm's full private Assessment Report from the UN PRI is available upon request. 2023 Asessment Report was awarded in December 2023, and relates to the 2022 calendar year.

Our approach to investment management

Our values, as described above, will help us be a fast-moving, technology-enabled global asset manager. In the next 3–5 years, we aim to extend our position in Canada, while continuing to grow in the United States (U.S.), Europe, and Asia Pacific (APAC) regions, and continuing to build an operational and cultural foundation for success. At the same time, we know that how we do business is as important as what we do. The culture at RBC GAM centres on diversity and inclusion, collaboration, and innovation. We believe diverse viewpoints and backgrounds enable better investment decisions and we actively seek out and encourage them. Meanwhile, fostering a learning environment to grow together, and encouraging and challenging each other, has helped RBC GAM build a strong, resilient business. We believe that our success as a company is defined by the long-term well-being of the people we serve, and the communities in which we operate.

Personally invested	We believe that managing people's wealth is a privilege. RBC GAM investment professionals may invest their own money in the strategies we manage where vehicles appropriate for individual investors exist, so that RBC GAM's success is also our clients' success. A few of the ways RBC GAM's interests are aligned with those of our clients are listed below: ▪ Our investment teams' compensation is aligned with investors' interests and commensurate with the long-term risk-adjusted returns of the portfolios they manage. ▪ Employees may invest their employer retirement benefits in RBC GAM funds, in accordance with applicable laws, regulations, policies and procedures. ▪ Employee compensation is linked to the performance of the firm (RBC GAM) as a whole, in addition to individual performance.[10]
Global expertise & innovation	Over the last seven decades, we have globalized our investment platform, broadened our reach across different asset classes, and deepened our capabilities within each of them. With more than 387 investment professionals across seven offices in Canada, the U.S., Europe, and APAC our investment teams are committed to: ▪ pursuing deep fundamental knowledge; ▪ fostering a collaborative culture; ▪ embracing innovation in a world of rapidly changing financial markets and investment options; and ▪ integrating enhanced investment and risk management tools, including ESG where applicable, to promote consistency and efficiency, and to minimize the impact of behavioural bias. We believe that a combination of human and machine is more powerful than either on its own. Integrating advanced investment and risk management tools allows us to extend our field of analysis, reinforces discipline, limits behavioural finance challenges, and bolsters results – ultimately leading to better decisions and more efficient portfolios.
Responsibly invested	We believe that being an active, engaged, and responsible investor empowers us to enhance the long-term, risk-adjusted performance of our portfolios and is consistent with our fiduciary duty. We take specific actions under each of the three pillars of Our Approach to RI, which are described earlier in this document, and we seek to maximize investment returns for our clients without undue risk of loss within the limits described in each investment mandate.

More information on RBC GAM's purpose, culture, and approach to investment management is available at www.rbcgam.com.

[10] This excludes certain employees or functions, such as certain regional compliance teams, who may have different compensation arrangements.

UK Stewardship Code Principle 2

Signatories' governance, resources and incentives support stewardship.

Our governance structure

RBC GAM is a global asset manager, including the following regional affiliated entities: RBC Global Asset Management Inc. (including PH&N Institutional), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited, and BlueBay Asset Management LLP. RBC Indigo Asset Management Inc. (RBC Indigo), which became part of Royal Bank of Canada (RBC) on March 28, 2024, and RBC Indigo's fund products, are not covered by the information presented in this document, unless otherwise noted.

Each RBC GAM affiliate maintains investment, legal, and client service expertise that pertains directly to its respective markets. The affiliates follow applicable regulations for the markets in which they operate, and each has its own Board of Directors to oversee operations and strategy within the region. This structure enables RBC GAM to maintain its global presence with on-the-ground professionals who are highly skilled in markets that are important to RBC GAM and our clients. The RBC GAM affiliates follow the strategies, policies, and risk management processes established for RBC GAM unless stated otherwise.

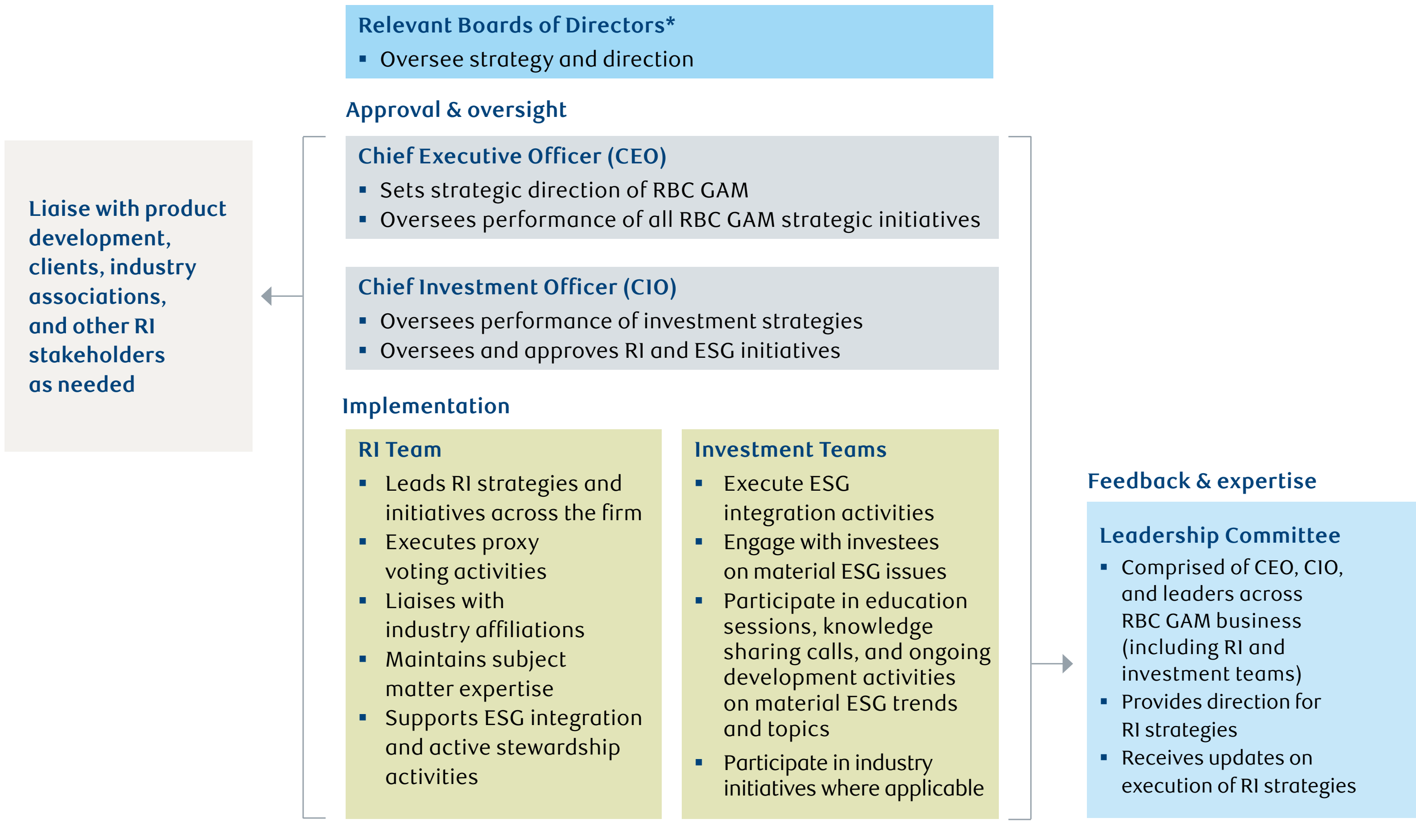
Specific roles with global responsibilities include:

- The CEO of RBC GAM sets the strategic direction of RBC GAM and oversees the performance of all RBC GAM affiliates. This includes the firm's performance on all strategic initiatives and Our Approach to RI. The CEOs of all RBC GAM entities, the CIO, and the Chief Operating Officer (COO) report to the RBC GAM CEO.
- The CIO of RBC GAM oversees the investment strategies, policies, and performance across all entities. The heads of all investment teams and the RI team report to the RBC GAM CIO.
- The COO of RBC GAM oversees all operational strategies, policies, risks, and initiatives across all RBC GAM entities.
- Regional compliance teams oversee all global reporting and publications to help ensure alignment with regulatory requirements and global RBC GAM strategy and priorities.
- The Head of RI is responsible for all RI strategies and initiatives across RBC GAM, and for overseeing the implementation of these strategies by RBC GAM's centralized RI team.
- The heads of global investment teams are responsible for all investment strategies and initiatives across RBC GAM. They are responsible for overseeing the establishment and implementation of ESG integration processes for applicable strategies.

RBC GAM also has an established Leadership Committee, whose mandate is to primarily focus on strategic matters that either significantly affect multiple businesses of RBC GAM and/or matters that may be material to RBC GAM's overall business success. The Leadership Committee has oversight and governance accountabilities. Membership includes the CEO, the CIO, and leaders across the RI team and the fixed income and equities investment teams, among others. This total firm-level oversight and integration aims to ensure that all of RBC GAM's businesses have the same vision, values, and culture, and are advancing the same strategic priorities.

Governance of RI at RBC GAM

Our Approach to RI is typically reviewed on an annual basis by the RI team, with input provided by the Leadership Committee on significant changes, and subject to ultimate approval by RBC GAM's CIO. Our Approach to RI applies firm-wide, and the governance structure of the specific activities encompassed by this stewardship report is summarized in the chart below.



*RBC GAM Inc., RBC GAM-UK, RBC GAM-US, RBC Global Asset Management (Asia) Limited, and BBAM LLP.

Our CIO, CEO, and relevant Boards of Directors oversee the performance of firm-wide strategic initiatives, including RI, typically on a quarterly and annual basis. Responsibility for strategic initiatives is delegated to the appropriate executives, whose direct annual compensation includes an assessment of performance on those initiatives. The Leadership Committee has identified the continued enhancement of ESG integration into the investment teams' processes as a strategic objective for the firm.

Our RI and investment teams are responsible for the implementation of Our Approach to RI. As such, RI team members' individual compensation is directly related to RBC GAM's RI activities. Our investment teams are regularly evaluated on their teams' ESG integration and stewardship processes, including as one component of their annual variable compensation.

In addition to the RI-related executive management oversight responsibilities detailed under *Our governance structure*, the heads of the institutional and retail businesses oversee product development, with review by a Product Committee and oversight by the CIO and CEO. Review and input on new products are provided by the COO, the Head of RI, and members of the Investment Risk, Investment Policy, Compliance, and Legal teams.[11]

This governance structure aims to ensure that the level of oversight of RI is commensurate with its importance to RBC GAM's overall business strategy. The combination of executive oversight and responsibility over these initiatives aims to ensure that RI is effectively executed and continuously improves.

[11] The product development and approval process at RBC BlueBay, which covers products distributed in Europe, the Middle East, and Africa (EMEA), and APAC, is governed by the EMEA/APAC Product Committee. Members of the committee include the RBC BlueBay CEO, Chief of staff, CFO, COO, General Counsel, Head of Business Development, Head of Product Development, Conducting Officer for Distribution of the Luxembourg Management Company, and the Chief Risk Officer. The GAM CIO and Chief Financial Officer also have oversight of any products approved by the EMEA/APAC Product Committee.

RI team

The RI team comprises 16 dedicated full-time employees who sit within the investment platform. RI team members have a mixture of investment, ESG, risk management, data engineering, and legal expertise. Team members' individual compensation is directly related to RBC GAM's RI activities.

The Head of RI reports directly to the CIO and sits on a number of executive committees, including the Leadership Committee.

As a centralized function, the RI team's primary responsibility is to lead RI activities across the firm. This includes the following:

- Developing cohesive RI strategies and policies for Leadership Committee approval, including Our Approach to RI.
- Supporting ESG integration by providing investment teams with ESG-related research and education, maintaining vendor relationships, and updating teams on new tools, evolving trends, and best practices related to ESG integration. The RI team also reviews ESG integration processes across investment teams and supports the continuous improvement of practices and technology (Principle 7).
- Executing and managing RBC GAM's proxy voting activities, including voting proxies and leading the annual review and update of the Proxy Voting Guidelines. RBC GAM generally votes in the same way across all internally managed portfolios, in accordance with the Proxy Voting Guidelines.[12] This function is centralized in order to facilitate a consistent approach and analysis, as we believe that the principles we apply in proxy voting are in the best interests of our portfolios, with a view to enhancing their long-term value. The RI team reviews each vote individually and seeks input from investment teams on specific issues with the intention that such voting will reflect the best interests of our portfolios in both systemic and issuer-specific matters (Principles 8 and 12).
- Participating in RI industry initiatives on ESG-related issues, where appropriate. The RI team also supports and participates in direct and RI industry initiative engagements by liaising with investee companies and investment teams, where appropriate (Principles 4, 9, and 10).
- Maintaining expertise on emerging ESG trends and material ESG issues, and preparing client reporting and thought leadership pieces related to RBC GAM's RI activities and insights (Principle 5). As part of the RI team's continued efforts to expand internal subject matter expertise on material ESG topics, the RI team publishes and develops ESG guidance, research, and tools for investment teams. Research topics in 2024 included: Institutional Shareholder Services (ISS) director data and risk-return implications, nature-related impacts and dependencies, and a climate factor analysis attribution tool. The RI team also continued to host its ESG Education Series. In 2024, we held a session focused on the ESG implications of artificial intelligence. In addition, the RI team held regular touchpoints with investment teams in 2024. Although the RI and investment teams have ongoing communications, the touchpoints provide a dedicated time for the RI team to engage directly with investment teams on ESG integration, stewardship, trends, and other topical issues. The RI team also produces an internal newsletter, typically distributed monthly, highlighting key developments relevant to RI. The newsletter is distributed to all employees across RBC GAM.

Investment teams

RBC GAM's investment teams are active across capital markets and asset classes and manage both traditional and innovative investment strategies. Across our global investment teams, there are more than 177 portfolio managers with an average of 21 years of industry experience, supported by 95 analysts with an average of 13 years of industry experience. Of these, 53% are Chartered Financial Analysts (CFAs), in addition to those who are working towards their CFA designation.[13]

The majority of RBC GAM investment teams have an ESG Champion that acts as their lead on ESG-related issues and is the main point of contact with the RI team. Investment team members and the RI team regularly meet through periodic knowledge-sharing calls and regular touchpoints to share knowledge and practices, discuss ESG trends, and identify opportunities for improvement and enhancement.

Topics discussed at these periodic meetings in 2024 included data security and privacy, state of the energy transition, and board ESG competence.

In addition, some investment team members may pursue additional education related to ESG. For example, numerous investment team members have successfully obtained the ESG Investing Certificate from the CFA Institute.[14]

Since investment teams directly buy, sell, and manage investments on behalf of our clients, they are best equipped to integrate ESG and stewardship considerations into their investment approach. This aims to ensure that stewardship activities add value to, and complement, the investment approaches of the respective teams. Portfolio managers and analysts are regularly evaluated on their teams' integration processes, which is considered as part of their annual variable compensation.

[12] The RBC GAM Proxy Voting Guidelines are applied in Canada, the United States, the United Kingdom, Ireland, Australia and New Zealand. In all other markets, RBC GAM uses the local proxy voting guidelines of our research provider.
[13] As at December 31, 2024.
[14] The CFA Institute is a global, not-for-profit professional organization that provides investment professionals with finance education.

Specific RI responsibilities of investment teams include the following:

- Integrating ESG factors into their investment processes, where applicable, in a way they believe adds value to their approaches, including evaluating the material ESG risks and opportunities embedded within each applicable investment, integrating ESG data into their investment processes where applicable, and working to build their knowledge of material ESG issues.
- Engaging with investee issuers on material ESG issues where applicable, and tracking relevant information gathered from these engagements on a best-efforts basis.
- Where appropriate, assisting with client reporting on RI activities, including updates to their ESG integration processes, engagement case studies, and team insights on emerging ESG topics and trends within their specific investment universes.Participating in industry initiatives where applicable.

Other resources

RBC GAM has also engaged a number of external research firms to provide specialized ESG research that we use in conjunction with other forms of analysis to assist in our stewardship and other ESG initiatives. This research includes ESG risks and opportunities relevant to specific issues, country- and industry-specific information, and broad-based thematic data relevant to general ESG themes.

The providers we use for ESG-related tools and research include:[15]

- MSCI ESG
- Sustainalytics
- ISS
- Glass, Lewis & Co.
- CDP
- Bloomberg
- RepRisk
- Verisk Maplecroft
- Eurasia Group
- Nasdaq
- Upright Project
- Impact Cubed

Our investment teams may use ESG research providers' reports to assist in their proprietary research of issuers when making investment decisions and/or prior to engagement, to better understand the industry landscape and individual issuer activities. Some teams also integrate ESG data from our vendors directly into their investment processes. For more information on investment teams' ESG integration practices, please refer to Principle 7.

RBC GAM also subscribes to the proxy voting research of both ISS and Glass, Lewis & Co. The research and benchmark policy voting recommendations from both proxy advisors may be considered as part of individual proxy voting decisions, though the final voting decision is independent and voting authority rests solely with RBC GAM. Once RBC GAM makes its voting decisions based on the Proxy Voting Guidelines and case-specific analysis, we retain the services of ISS to execute our proxy votes.

For more information on how we manage and monitor our external service providers, please refer to Principle 8. For more information on our proxy voting process and results, please refer to Principle 12.

Improving our governance processes

We have established a governance structure and processes to support our stewardship activities. Our integrated approach of senior leadership involvement in our firm-wide RI goals creates a culture supportive of, and accountable for, our stewardship efforts. We believe that we have the most effective governance structure in place for the firm. However, we are always exploring ways to improve our systems and processes.

[15] In some cases, subscriptions might be specific to investment teams or RBC GAM affiliates, based on the applicability of the vendors' research.

UK Stewardship Code Principle 3

Signatories' governance, resources and incentives support stewardship.

Our conflicts of interest policies

As investment managers, we have an obligation to act in the best interests of the portfolios that we manage. As stewards of our clients' assets, it is important that clients and unitholders are treated fairly. This applies to both our operations and our investment management, including our stewardship activities like proxy voting and engagement.

We apply policies and procedures that are intended to prevent and/or appropriately manage conflicts of interest. Our policies and procedures establish the standards that should be followed by RBC GAM employees to comply with applicable securities laws and regulations of the jurisdictions in which we operate. Our policies include:

- **RBC Code of Conduct:** The RBC Code of Conduct is an enterprise-wide policy that states that decisions made by employees should be objective and put clients' interests above personal interests and sets out general provisions related to conflicts of interest.
- **RBC Enterprise Conflicts of Interest Policy and associated Control Standards:** These enterprise-wide policies encompass conflicts of interests that may arise from RBC's business activities. These include the RBC Conflicts of Interest Control Standards for Outside Business Activities and External Directorships, RBC Conflicts of Interest Control Standards for Gifts and Entertainment, RBC Conflicts of Interest Control Standards for Personal Trading, and the RBC Conflicts of Interest Control Standards on Inside Information and Information Barriers, among others.
- **RBC GAM Conflicts of Interest Policies:** RBC GAM's regional entities either maintain a Conflicts of Interest Policy and/or address conflicts of interest within appropriate policies. These cover both firm-wide expectations, as well as regulatory requirements for each operating unit. These policies address the regulatory requirements that the affiliates should meet with respect to (a) identifying the material conflicts of interest that they and their employees may face, (b) either eliminating or satisfactorily addressing them in the best interest of clients, and (c) appropriately disclosing them to clients.
- **Other RBC GAM policies:** RBC GAM maintains a number of operational policies that address additional conflicts of interests that may arise from RBC GAM's business activities. These include RBC GAM's policies related to proxy voting, shareholder activism, personal trading, trading, valuation, and securities lending, among others.

RBC GAM does not publish its compliance policies publicly but may disclose information on policies and practices to clients upon request, in accordance with the securities laws and regulations in the jurisdictions in which it operates. Individual investors in RBC GAM products may receive disclosure on relevant policies to address conflicts of interests in accordance with securities laws and regulations in the applicable jurisdictions. For example, unitholders in RBC GAM Inc. prospectus-qualified mutual funds receive disclosure in the funds' prospectus on RBC GAM Inc. policies to address conflicts of interests in its role as an investment fund manager. Conflict of interest matters for RBC GAM Inc.'s prospectus-qualified mutual funds are overseen by an Independent Review Committee (IRC) that publishes an annual report to unitholders. The IRC addresses potential conflicts of interest that can arise between the manager and the unitholders of the fund. Members are independent of RBC GAM Inc.

Scope of policies

Our policies and procedures recognize that a conflict of interest may exist between RBC GAM, its employees, and/or its clients whenever:

- the interests of RBC GAM or an employee are inconsistent with or diverge from the interests of a client (including funds) or the unitholders of an RBC GAM-managed fund;
- RBC GAM or an employee is influenced to put their interests ahead of those of their clients; or
- benefits (monetary or non-monetary) or detriments RBC GAM could receive, or be subjected to, might compromise a reasonable client's trust.

Our policies aim to cover potential conflicts that may arise, including conflicts relating to the bank-owned structure of RBC GAM, personal trading, payments, gifts and entertainment, and external directorships/outside activities. They also address potential conflicts of interest that may arise in our stewardship activities, including proxy voting and engagement.

We consider conflicts of interest to include actual conflicts, potential conflicts where there is a reasonable probability that an actual conflict may arise, and perceived conflicts where the perceived conflict could cause reputational damage to RBC GAM.

RBC GAM's policies require the firm to:

- establish appropriate controls and processes to identify conflicts of interest and either eliminate or satisfactorily manage them;
- train employees on conflicts of interest and provide support in conflicts of interest identification; and
- maintain records of identified conflicts of interest.

Managing potential and actual conflicts

RBC GAM and its registered employees have an ongoing responsibility to identify conflicts that are reasonably expected to affect a client's decisions and/or RBC GAM's or its employees' recommendations or decisions.

For example, as part of its conflicts of interest policies, RBC GAM Inc. maintains a register of conflicts of interest. This register comprises descriptions of each of the potential and actual conflicts that the firm has identified, the applicable policies governing each conflict, and the procedures and controls for mitigating them.

RBC GAM employees are required to comply with the policies and procedures that apply RBC GAM-wide and their respective RBC GAM entity. Employees undergo regular training on these policies. Training typically begins the week employees first join the company as part of the onboarding process and generally continues at least annually thereafter. Several policies require quarterly or more frequent employee action to confirm that conflicts have not occurred, are properly disclosed and managed, and/or are being addressed by the appropriate oversight body if a conflict is newly identified.

Addressing newly identified conflicts

For RBC GAM-US, Compliance, with assistance from other functions as needed, assess the conflict and works to ensure that we make full and fair disclosure to our clients as required. For the remainder of RBC GAM, the following process applies:

If an actual or potential conflict of interest arises that is not yet covered in the conflicts of interest register, it should be escalated, and related activities in connection with the potential conflict should halt until the conflict is addressed.

The process for addressing newly identified conflicts is as follows:

1. The issue is escalated to the RBC GAM Conflicts of Interest Governance Committee or equivalent affiliate committee to determine whether the conflict is material and how the conflict shall be addressed and disclosed. These committees are comprised of senior executives from across RBC GAM, including the Chief Compliance Officer (CCO), COO, and representatives from the CIO's office and Law Group, among others.
2. If the conflict is found to be material, the appropriate affiliate compliance group updates the conflicts register to include the newly identified conflict and the policies and procedures to be adhered to should the conflict arise again.
3. The appropriate affiliate law group updates regulatory disclosures to incorporate the newly identified conflict, where appropriate.
4. No further activities are conducted in connection with the potential conflict until the RBC GAM Conflicts of Interest Committee has made its determination of materiality and steps for managing and addressing the conflict, and this determination has been communicated.

RBC GAM also has regional, independent committees, boards of trustees, or similar functions that oversee retail mutual funds. For example, the IRC manages specific conflicts that may arise between prospectus-qualified mutual funds in Canada and RBC GAM Inc. as the fund manager or any entities related to RBC GAM Inc. This includes related-party trading policies and the firm's Personal Trading Policy. IRC members are independent of RBC GAM Inc.

Examples of actual and potential conflicts

The case studies that follow provide examples of conflicts related to our stewardship activities. They also summarize the policies and procedures we use to address those conflicts when they arise.

Proxy voting

Our policies and procedures prohibit any undue influence being exerted on our proxy voting activities from RBC or any other issuer that might have a relationship with RBC or any of its affiliates. The objective of these policies is to avoid any actual or potential conflict of interest. Potential conflicts of interest related to our proxy voting activities are reduced, as these activities are centralized within the RI team, which administers and oversees proxy voting in accordance with our proxy voting policy, and the Proxy Voting Guidelines.

RBC GAM also has a Proxy Voting Committee, which includes the CIO. The following issues are escalated by the RI team to the Proxy Voting Committee:

- Instances where RBC GAM believes it is in the best interests of the portfolio to deviate from the voting recommendation made by our service provider based on the Proxy Voting Guidelines, or local benchmark voting guidelines of our provider, where applicable. This may occur in situations where we believe the Proxy Voting Guidelines have been misinterpreted or misapplied, or where the unique circumstances of the issuer warrant a different approach.
- Instances where our proxy voting activity may give rise to an actual, potential, or perceived conflict of interest.
- Unusual circumstances regarding ballot items. For example, there may be cases where two investment teams voting at the same portfolio issuer's meeting wish to vote differently.

We generally vote the same across internally managed portfolios, as we believe the principles we apply in proxy voting are in the best interests of our portfolios with a view to enhancing the long-term value of the securities held. However, in the event of unusual circumstances or a difference of opinion between individual investment teams on how to vote on a particular proxy, the matter is escalated to the Proxy Voting Committee.

Proxy voting decisions are made by the Proxy Voting Committee based on a review of the voting matter with relevant investment teams and the RI team. The CIO retains ultimate voting decision authority.

If any member of the Proxy Voting Committee is aware of a possible conflict of interest related to themself and the exercise of the proxy voting rights, that member will be excluded from any discussions or decision making concerning that proxy voting matter. In the rare event that all members of the Proxy Voting Committee are affected by a conflict of interest, the CIO will make decisions concerning the exercise of proxy voting rights in what we believe are the best interests of our portfolios.

The following are examples of specific conflicts of interests related to proxy voting that may arise:

Conflict name	Description	Conflict type
Fair treatment in proxy voting	**Context** RBC GAM seeks to vote proxies in the best interests of the portfolio with a view to enhancing the long-term value of the securities held. RBC GAM may have a conflict between its interests in retaining clients and earning fees, and the interests of its clients if asked to vote on any factors that conflict with its fiduciary duty. This could occur if a client is also an issuer and attempts to influence RBC GAM to vote a particular way on a proposal. **Mitigating policies & procedures** Proxy voting is executed by the RI team in consultation with portfolio managers and analysts in line with the Proxy Voting Guidelines. The RI team, as well as select members of our Operations teams, have access to RBC GAM's proxy voting platform. The Proxy Voting Committee reviews the Proxy Voting Guidelines, as well as any exceptional votes not covered by, or that deviate from, the Proxy Voting Guidelines. The CIO sits on the Proxy Voting Committee and is responsible for oversight of proxy voting at RBC GAM, and approval of the Proxy Voting Guidelines. If any member of the RI team or the Proxy Voting Committee is aware of a possible conflict of interest related to themselves and the exercise of the proxy voting rights, that member will recuse themselves from any discussions or decision making concerning that proxy voting matter. In the rare event that all members of the Proxy Voting Committee have a conflict of interest, the CIO will make decisions concerning the exercise of proxy voting rights in what we believe is the best interests of our portfolios.	Potential

Conflict name	Description	Conflict type
Voting parent company shares	Context RBC GAM is the asset management division of RBC. RBC is a prominent issuer in Canada, and, where applicable legal and regulatory requirements allow, several RBC GAM funds may invest in RBC securities. A potential conflict of interest arises between the interests of these funds and the interests of RBC GAM or its employees when exercising annual proxy voting rights. Mitigating policies & procedures Proxy voting for RBC securities held in RBC GAM Inc. prospectus-qualified funds in Canada is escalated to the IRC for its review and recommendation. The IRC considers the best interests of the portfolios without regard for the interests of RBC, RBC GAM, any individual portfolio manager, or any party related to any of them. RBC GAM maintains responsibility for administrating the vote, aligned with the IRC's recommendation. Information on votes cast in 2024 is available in our voting record disclosure on our regional websites in accordance with applicable regulations.	**Potential**
Voting shares of our strategic alliance partner, BlackRock	Context A potential conflict of interest exists when RBC GAM exercises its voting rights at BlackRock Inc., due to RBC GAM's strategic alliance with BlackRock Canada.[16] Mitigating policies & procedures To address this conflict, when RBC GAM exercises its voting rights at BlackRock Inc.'s annual general meeting, the investment teams are excluded from the voting decision, and the RI team makes recommendations to the Proxy Voting Committee directly. The Proxy Voting Committee makes the proxy voting decision in an independent manner and in the best interests of our portfolios. Information on votes cast in 2024 is available in our voting record disclosure on our regional websites, in accordance with applicable regulations.	**Potential**
Sub-advisors' proxy voting on behalf of RBC GAM	Context On a quarterly basis, RBC GAM Inc. requests that third-party sub-advisors confirm that decisions to vote proxies of issuers related to the sub-advisor: Mitigating policies & procedures On a quarterly basis, RBC GAM Inc. requests that each third-party sub-advisor confirm that decisions to vote proxies of issuers related to the sub-advisor: ▪ were made free from influence by the related-party issuer and without taking into account any consideration relevant to the related party issuer; ▪ represent the business judgment of the sub-advisor's portfolio manager assigned to the portfolio, uninfluenced by considerations other than the best interests of the portfolio; ▪ were in compliance with the sub-advisor's policies and procedures; and ▪ achieve a fair and reasonable result for the portfolio.	**Potential**
Public statements related to proxy voting on a particular security	Context Potential conflicts of interest and market abuse issues may arise in situations where a portfolio manager makes public statements regarding a particular security, and a portfolio managed by the portfolio manager or others in the firm has an undisclosed position in that security. In this case, the public statement could conflict with the interests of other investors who are misled by the public statement. Mitigating policies & procedures Portfolio managers should consult with the CIO in advance if they are contemplating making public announcements or having any communication that could be misinterpreted as proxy solicitation. This includes public announcements stating how RBC GAM intends to vote on a matter and the reasons for the decision, and communication with other shareholders about the possible organization of a dissidents' proxy solicitation (without sending a proxy). Portfolio managers should not engage in communications that would trigger the requirement for RBC GAM to prepare proxy circulars.	**Potential**

[16] In 2019, RBC Global Asset Management and BlackRock Canada created an alliance to provide the largest full-service exchange-traded fund (ETF) platform in Canada. RBC iShares ETFs are comprised of RBC ETFs managed by RBC Global Asset Management Inc. and iShares ETFs management by BlackRock Asset Management Canada Limited. More information is available at https://www.rbcgam.com/en/ca/about-us/about-rbc-ishares.

Engagement

As noted above, our policies and procedures prohibit any undue influence being exerted on our stewardship activities from RBC or any other issuer that might have a relationship with RBC or any of its affiliates. The objective of these policies is to avoid or manage any actual or potential conflict of interest. Our engagement priorities and activities are undertaken based on what we determine is in our portfolios' best interests. Attempts to influence our engagement priorities or activities should be reported to our CIO.

The following are examples of specific conflicts of interests related to engagement that may arise:

Conflict name	Description	Conflict type
Inappropriate use of material non-public information obtained through engagement activities	Context RBC GAM employees could obtain material non-public information through engagement activities. The possession of such information could give rise to potential conflicts of interest between the interests of RBC GAM employees and the interests of the firm. For example, this could occur if an employee misuses material non-public information in their personal trading or to improve the investment performance of the investment portfolios that they manage, which may then affect their personal compensation. Conflicts could also arise between the interests of RBC GAM employees and those investors in the capital markets who do not have access to the inside information and who have a right to expect fair markets and ethical investment decision-making behaviour from market participants. Mitigating policies & procedures RBC GAM maintains market abuse policies, including policies for regions in which it operates, that set out the rules for those jurisdictions and establish procedures to be followed if someone receives material non-public information. Procedures are undertaken to lock down the issuer that is the subject of the material non-public information from being traded by the individuals possessing such material non-public information, and an escalation procedure exists for addressing the conflict, where required. The policies also provide specific guidance to the investment teams for meetings with issuers.	**Potential**
Personal relationships affecting potential engagement	Context There is a potential conflict of interest where a close personal relationship exists between an RBC GAM employee and a member of a firm who is in a position of authority or influence, or between an RBC GAM employee and a client with whom RBC GAM has or is considering entering into a material business relationship. For example, there would be a potential conflict of interest if a member of an investment team had a close personal relationship with an executive or board director with whom the investment team was initiating an engagement. A potential conflict of interest could also occur if an investment team member has a personal relationship with a client who attempts to influence the investment team's engagement objectives and outcomes in a way that is not in the best interests of the portfolio. Mitigating policies & procedures The RBC Code of Conduct requires employees to consider and identify potential or actual conflicts of interest that may arise from a close personal relationship. Further, RBC GAM's employees have an obligation to consider and identify potential material conflicts of interest in relation to RBC GAM, themselves, and their clients. If there is a situation involving a close personal relationship that may pose an actual or perceived conflict of interest, as a minimum the employee should disclose it to Compliance, who will determine whether a material conflict of interest exists. The issue may then be escalated to the head of the business unit and the relevant conflicts of interest governing body. The employee may be asked to recuse themselves from any activities related to engagement, as well as follow any further steps determined by the relevant escalation party.	**Potential**

Conflict name	Description	Conflict type
Outside activities affecting potential engagement	**Context** Conflicts of interest may arise from an RBC GAM employee's involvement in an outside activity that could affect, or be perceived to affect, the ability of the employee to properly carry out their responsibilities at RBC GAM and their duties to clients. In the context of active stewardship, this would include an investment professional who holds an outside directorship or has other involvement with an issuer that is the target of an engagement or proxy vote. **Mitigating policies & procedures** Outside business activities should be approved by both line managers and Compliance. In some cases, the activity may also need to be reported to a third party, such as the Registration group to file an update with regulators. Outside Business Activities disclosure is included in RBC GAM's mandatory annual compliance training for employees. In the case of a potential engagement, the employee would be asked to exclude themselves.	**Potential**
Communications about and participation in shareholder initiatives	**Context** Investor initiatives may add long-term value to portfolios when focused on material issues. However, potential conflicts of interest should also be considered before acting. For example, RBC GAM's participation in an ill-founded investor initiative may have implications for the affairs and reputation of RBC GAM's portfolios as well as the affairs and reputation of RBC GAM and RBC. Potential conflicts of interests may arise when the interests of the investor initiative or the interests of the employee(s) participating in the investor initiative conflict with the interests of RBC GAM and/or its portfolios. **Mitigating policies & procedures** The CIO has discretion to determine whether RBC GAM should participate in an investor initiative. In aiming to ensure that the implications of a proposed investor initiative are considered and addressed, the CIO may consult with the CEO before RBC GAM initiates or participates in any significant investor initiative. In the case of a potential conflict of interest issue with respect to an investor initiative and RBC GAM portfolios, it may be determined that the matter must first be escalated and referred to the appropriate regional independent oversight committee for review and recommendation.	**Potential**

UK Stewardship Code Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

RBC GAM risk oversight

At the firm level, RBC GAM establishes a risk appetite on an annual basis and maintains a risk register of the most material risks facing our business including business risks, investment risks, group financial risks, and operational risks. ESG risks may be included if deemed material. At the firm level, these risks are managed as follows:

- For quantifiable market factors like currency and concentration risks, limits may be implemented on each investment mandate's allowable exposure to those factors. These limits vary with the strategies' investment goals, risk tolerance, and benchmark. Except for strategies managed by the BlueBay Fixed Income team,[17] RBC GAM strategies are typically monitored daily by internal systems and reviewed at least quarterly by the regional Investment Risk Oversight Committees, which include the Head of Risk and the Head of Investment Policy, among others. For BlueBay Fixed Income team strategies, these are monitored daily by internal systems and reviewed at least weekly by the Market Risk Committee, which includes the BlueBay Fixed Income team CIO and Head of Risk for EMEA-APAC, among others.
- We may use active stewardship for risk management purposes related to, but not limited to, systemic ESG risks (such as governance, climate change and nature, and human rights) and market-wide issues (such as diversity and inclusion, and fair and efficient markets). This may include direct and RI industry initiative engagement, and proxy voting, to convey our views and contribute to outcomes, where appropriate.

The Investment Risk team oversees investment risks including market risk, counterparty risk, and liquidity risk at both a portfolio and firm level. Working with the Investment Policy team, the Investment Risk team is responsible for establishing risk appetite and risk budgets at the portfolio level. Risk limits including diversification and asset quality requirements are established in investment mandates for each portfolio and are monitored daily. These limits vary with the strategies' investment goals, risk tolerance, and benchmarks. Any breaches of internal investment mandate tolerances are flagged and followed up on by the Investment Policy team. While all internal investment mandate limits are reviewed periodically by the CIO and the Head of Investment Policy, the Investment Risk team monitors the risk profile of portfolios and adherence to risk budgets.

At the investment strategy level, the RBC GAM Investment Strategy Committee (RISC) is chaired by the CIO, or their direct reports, and reviews assessments of global fiscal and monetary conditions, projected economic growth and inflation, as well as the expected course of interest rates, major currencies, corporate profits, and asset prices. From this global forecast, the RISC develops specific guidelines that can be used to manage portfolios. Where material, this may include ESG-related risks. Results of the RISC deliberations are typically published quarterly in the Global Investment Outlook.

Potential risks associated with investing in our funds are disclosed in the investment prospectus. Please refer to Principle 6 for more information on client reporting.

[17] BlueBay Fixed Income team is an investment team within RBC GAM.

At the investment level, our investment teams are equipped with data and insights to manage the risk exposure of their portfolios. Data is available on a wide range of investment risk factors, which include financial and ESG-related factors. Investment teams integrate material factors into their investment decisions in a manner that complements their distinct investment approaches and mandates, for applicable types of investments.

Systemic ESG risk management

Risk management - governance

Where possible, our investment teams utilize independently verified and reported data collected by third-party providers, which may be supplemented by direct research collected through due diligence and engagements.

Investment teams primarily monitor governance through stewardship activities and issuer-level ESG assessments. For example, for equity investment teams, data is reviewed as part of proxy voting decision making. For instance, insufficient board independence levels may prompt our service provider, ISS, to recommend a vote against the election of non-independent directors based on our Proxy Voting Guidelines. The RI and investment teams can then review data from two of our research providers, ISS and Glass Lewis, to determine if any additional steps are required.

Our RI and investment teams also have access to governance data for issuer- and portfolio-level analysis. For example, the RI team produces a quarterly ESG Snapshot for investment team use. ESG Snapshots summarize high-level ESG data from our research providers MSCI ESG and Sustainalytics. This includes portfolio-level ESG scores, sector distributions, score distributions, and ESG controversy flags. At their own discretion, investment teams can then identify cases for further investigation. For example, the ESG Snapshot may flag that the portfolio's average governance score in the Consumer Discretionary sector is worse than the benchmark's, prompting further analysis. The ESG Snapshot was available to equity investment teams in 2024, with plans to expand to fixed income teams in 2025.

In addition, investment teams use ESG data from various providers in their own respective ESG integration processes. For example, some investment teams have developed their own governance data sheets to analyze individual issuers and portfolios' governance risks.

The RI team also monitors governance trends on an ongoing basis. For example, the RI team flags specific governance issues arising in our proxy voting activities for consideration in our annual update to the Proxy Voting Guidelines. We also engage with our proxy voting research provider ISS on an annual basis to discuss governance trends, pending changes to their benchmark voting policies, and our own planned changes to the RBC GAM Proxy Voting Guidelines, based on our evolving views on governance issues.

Risk management - climate change and nature

Investment teams are able to assess and monitor climate-related risks and opportunities on an ongoing basis through the RBC GAM Climate Dashboard (Climate Dashboard), which provides a suite of climate metrics at the portfolio level, with detailed breakdowns by sector and top holdings. The Climate Dashboard is produced for a number of equity and fixed income portfolios and is updated on a monthly basis.[18] This includes climate data that is directly reported by issuers as well as data collected from external datasets (e.g., low-carbon patents, science-based targets), third-party research, and/or estimated and modelled data. The Climate Dashboard provides a view on portfolio-, sector-, and issuer-level carbon emissions, transition risks and opportunities, net-zero alignment, and climate scenario analysis. This includes both backward- and forward-looking analysis, as well as data that is reported, estimated, and modelled. It focuses on what RBC GAM considers to be the most material data factors and aims to reflect current climate science, standards, and best practices. As new data becomes available, additional metrics and insights may be added.

Where possible, our investment teams utilize independently verified and reported data collected by third-party providers, which may be supplemented by direct research collected through due diligence and engagements.

On an annual basis, climate-related risks and opportunities are assessed at an asset class and geography level. This analysis is reviewed by the CIO and the Leadership Committee, and is disclosed in RBC GAM's annual Climate Report, which is guided by the recommendations of the TCFD. Additionally, on a periodic basis, the Leadership Committee receives a Climate Memo that provides updates on issues that include regulatory and competitive developments, RI industry initiatives, and/ or climate metrics.

In 2024, RBC GAM assessed the exposure of our equity and corporate bond investments to nature-related dependencies and impacts for priority sectors, which is a core metric for asset managers recommended by the TNFD. To enhance our understanding of the materiality of nature-related dependencies and impacts on our investments, we used the Exploring Natural Capital Opportunities, Risks and Exposure

[18] The number of strategies for which a Climate Dashboard is produced may vary month-to-month and does not include all investment strategies across RBC GAM. The frequency with which investment teams review the Dashboards may vary by team. In 2024, RBC GAM increased the frequency of Climate Dashboard publication from quarterly to monthly.

(ENCORE) tool.[19] Issuers' nature-related dependencies and impacts, and risk level, is based on ENCORE categorizations, which are mapped to issuers based on their primary revenue-generating activity (using NACE[20] codes).

More information about investment teams' ESG integration is provided in Principle 7.

Risk management - human rights

Where possible, our investment teams utilize independently verified and reported data collected by third-party providers, which may be supplemented by direct research collected through due diligence and engagements.

The RI team supports ESG integration by providing investment teams with ESG-related research and education, maintaining vendor relationships, and updating teams on new tools, evolving trends, and best practices related to ESG integration. Human rights are a focus for the RI team and progress has been made for additional education for investment teams to identity potential human rights risks by country and sector. In 2024, we completed an education session on *The investor perspectives on business and human rights*, where an external speaker provided a global view of the intersection of business and human rights with a focus on current developments, geopolitics and emerging legal and regulatory expectations and requirements.

We aim to further our processes by developing a human rights due diligence and engagement toolkit for investment teams in relation to investments in corporate issuers and exploring opportunities to support the implementation of the toolkit (e.g., education, training, refinement, and case studies). This research will be supported by RBC GAM's participation in the Shift[21] Investor Practice Group on Human Rights.

Using active stewardship to address systemic risks

Active stewardship is one pillar of Our Approach to RI. We convey our views through thoughtful proxy voting and engagement with issuers for applicable types of investments. We also engage with regulatory bodies on material ESG issues and participate in RI industry initiatives with other like-minded investors, where applicable. We may manage and respond to systemic risks by using all of these approaches.

Identification, and response to, market-wide and systemic risks

While any ESG risk may be material to an investment or portfolio, we believe that there are certain systemic ESG risks that are likely material to issuers across most sectors and geographies. Such systemic ESG risks include governance, climate change and nature, and human rights. We also consider market-wide risks such as diversity and inclusion, and fair and efficient markets.

[19] The ENCORE tool is maintained and updated by Global Canopy, UNEP FI and UNEP-WCMC. Version: October 2024.
[20] The 'statistical classification of economic activities' in the European Community, abbreviated as NACE, is the classification of economic activities in the European Union (EU).
[21] Shift is a non-profit and center of expertise on the UNGPs.

Governance

Although any ESG factor may be material to an issuer depending on its sector or geography, we believe governance is material to all issuers. We believe that issuers with good governance practices are better able to focus on long-term, sustainable growth; pose less risk for equity investors due to proper alignment of shareholder and management interests; are more likely to issue fixed income instruments with higher credit quality and lower credit risk; and are more likely to effectively manage environmental and social risk factors.

Proxy voting

We align our proxy voting with the commitments of Our Approach to RI, as described in our Proxy Voting Guidelines. This includes issues related to boards of directors, management and director compensation, takeover protection and transactions, shareholder rights, shareholder proposals, and management, environmental and social proposals.

Engagement

Our investment teams may engage directly with the issuers in which they are invested on material governance issues, either as part of investment initiation, ongoing engagement, or as part of proxy voting activities, for applicable types of investments. Topics we frequently engage on across markets in our equity and fixed income investments include the following:

- The need for a qualified and effective board that is accountable to investors.
- Strong management of capital structure.
- Robust accounting and risk management systems.
- Appropriate oversight of material environmental and social risks and opportunities.
- Policies and controls designed in aiming to ensure full compliance with all applicable laws and regulations.

Examples of our direct engagements with issuers on governance are included in Principle 9.

RI industry initiatives

Our RI industry initiatives related to governance include:

- Alternative Investment Management Association (AIMA)
- Canadian Coalition for Good Governance (CCGG)
- Council of Institutional Investors (CII)
- Emerging Markets Investor Alliance (EMIA)
- International Corporate Governance Network (ICGN)
- Responsible Investment Association (RIA)

2024 Highlights

- Voted against the election of roughly 15% of directors up for election due to governance concerns (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees), voted against approximately 9% of proposals on advisory votes on executive compensation plans and 15% of proposals on remuneration policies, and supported roughly 90% of shareholder proposals requesting an independent board chair in 2024. For reference, in 2023, we supported roughly 99% of shareholder proposals requesting an independent board chair in 2023. The decrease in support levels in 2024 was driven by individual case-by-case assessments, rather than a notable shift in proposal characteristics on the issue. More voting statistics are included in Principle 12.[22]
- Participated in CCGG's collective engagement program and provided input for three collective engagements on governance topics. CCGG completed 28 collective engagements.
- Served on the ISG board, CCGG Public Policy Committee, ICGN Global Governance Committee, and the RIA Board of Directors, among others.

[22] The proxy voting statistics include voting for all of RBC GAM except for certain portfolios managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and specific institutional accounts. In some cases, we may have also voted against a director's election based on environmental and/or social issues.

Climate change and nature

Climate change is a systemic risk that could affect the global economy. It is also a cross-cutting risk that may both impact and amplify other principal risk types, such as investment risk and operational risk. The impacts of climate change on specific markets, regions, and investments are complex, varied, and uncertain.

As asset managers and investors, and stewards of our clients' assets, we believe considering climate-related risks and opportunities in our investment approach can enhance long-term, risk-adjusted returns. 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. Refer to Our Approach to RI for more information.

Proxy voting

We align our proxy voting with the commitments of Our Approach to RI, as described in our Proxy Voting Guidelines. Shareholder proposals on climate-related risks and opportunities can be particularly relevant. We evaluate climate-related shareholder proposals on a case-by-case basis. When evaluating climate-related shareholder proposals, we may consider:

- The industry in which the company operates and the materiality of the requested disclosure in that industry.
- The company's existing publicly available information on the potential impacts of climate change on its operations, strategy, or viability.
- Existing oversight, policies, and procedures on climate-related risks and opportunities.
- The company's level of disclosure and preparedness compared to that of its industry peers.
- Whether the company has recently been involved in climate-related controversies resulting in fines, litigation, penalties, or significant environmental, social, or financial impacts.
- The company's existing climate-related targets, commitments, and initiatives.

Where we determine it is in the portfolio's best interests to do so, we will generally support proposals requesting:

- That a company disclose the organization's governance around climate-related risks and opportunities.
- That a company disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. This includes disclosure of the results of climate scenario analysis and related assessments.
- That a company disclose how the organization identifies, assesses, and manages climate-related risks. Risks include Transition Risks (Policy and Legal, Technology, Market, and Reputation) and Physical Risks (Acute and Chronic), as defined by the TCFD.
- That a company disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, or on how the company identifies, measures, and manages such risks.
- That a company adopt or implement initiatives to reduce GHG emissions, including carbon. This includes providing detailed disclosure of progress.
- That a company adopt long-term and interim net-zero or science-based targets, where climate-related risks are financially material and adoption timelines are within a reasonable time frame. Net-zero targets should relate to Scope 1 and 2 emissions. Where a proponent requests that a company adopt net-zero targets on Scope 3 emissions, we will review on a case-by-case basis, factoring in materiality of these emissions to the company, feasibility of the request, and usefulness to shareholders if the proponent's request is fulfilled.
- That a company disclose its climate transition plan in line with the TCFD recommendations.
- That a company provide enhanced disclosure on the alignment of its lobbying activities with climate change initiatives, including its membership in industry associations.

Shareholder proposals requesting that a company adopt a regular, non-binding shareholder vote on its climate strategy (i.e., a "say-on-climate"), are evaluated on a case-by-case basis.

More information on how we vote on climate-related ballot items can be found in our Proxy Voting Guidelines and in Principle 12.

Engagement

We believe engaging with issuers that are significant emitters of GHGs may contribute to reducing the systemic risks of climate change for our investments and portfolios.

Additionally, engaging with issuers that are not adequately managing their material climate-related risks may contribute to enhancing risk-adjusted, long-term performance of those issuers.

Examples of our direct engagements on climate change are included in Principle 9. Examples of RI industry initiative engagements on climate change are included in Principle 10.

RI industry initiatives[23]

Our RI industry initiatives related to climate change include:

- CDP
- Climate Action 100+
- Climate Engagement Canada (CEC)
- Investors Policy Dialogue on Deforestation (IPDD)
- Mission Investors Exchange
- Responsible Investment Association (RIA)
- The Forum for Sustainable and Responsible Investment (US SIF)

2024 Highlights

- Supported 1/11 proposals requesting a report on climate change and 17/27 proposals requesting GHG emissions disclosure or emission-reduction targets. Climate-related shareholder proposals are increasingly nuanced. For a deeper dive into our 2024 proxy voting record on climate-related shareholder proposals, refer to Climate-related Shareholder Proposals. Our proxy voting records are available on our regional websites in accordance with applicable regulations.[24]
- Explored additional approaches to climate scenario analysis as part of our ESG research program. This includes piloting the development of a Climate Scenario Outlook, which seeks to provide a broad understanding of the systemic effects of climate change and its transmission channels through the economy by identifying signpost metrics.
- Provided a training and education session on nature-related risks and opportunities was provided to the RBC GAM UK Board of Directors.
- We note the recommendations of the TNFD, which we believe will enable enhanced disclosure of material nature-related risks and opportunities. We include in our RBC GAM Climate Report the two core metrics for asset managers recommended by the TNFD.
- Participated in eight RI industry initiative engagements focused on climate change and two on nature-related risks.
- RBC GAM is a supporter of the IPDD. A member of BlueBay Fixed Income team is the co-chair and contributed to the initiative's efforts in Brazil and Indonesia in 2024.

[23] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.
[24] The proxy voting statistics include voting for all of RBC GAM with the exception of portfolios managed by the BlueBay Fixed Income team, externally managed sub-advised portfolios, and specific institutional accounts.

CLIMATE-RELATED SHAREHOLDER PROPOSALS

We will generally review shareholder proposals on a case-by-case basis. Where proposals relate to enhanced disclosure in an area that represents a material risk or opportunity for the company, and we believe the enhanced disclosure would benefit shareholders, we will generally support it. Where proposals mandate a specific course of action for the company, are considered overly prescriptive, request action or disclosure we believe is already sufficient at the company, or where we determine fulfillment of the proposal request would not be in the best interests of the portfolio, we will generally oppose it.

In 2024, we supported approximately 47% of proposals that our proxy service provider, ISS, categorized as either a "Report on Climate Change" or "GHG Emissions"—a small increase from ~44% in 2023. We generally supported proposals requesting enhanced disclosure on GHG emissions, GHG emission reduction targets, and climate-related risks and opportunities. However, consistent with our approach to evaluating shareholder proposals, we voted against proposals that we determined to be overly prescriptive or not in the best interests of shareholders. For example, we determined enhanced disclosure of an issuer's approach to incorporating climate risk into retirement plans for beneficiaries would not provide shareholders with a meaningful benefit.

We did not support any shareholder proposals (0/14) requesting the adoption of a regular, non-binding shareholder vote on an issuer's climate strategy (say-on-climate). This is consistent with our voting record on this issue in 2023 (0/7). It is our view that a shareholder vote on an issuer's climate strategy is not in the best interests of shareholders in all situations. A regular say-on-climate vote has the benefit of a concise feedback mechanism to the issuer on its climate transition plan. However, we believe there are several shortcomings with the practice, including diminishing the role and accountability of the board by placing the onus on shareholders, and shareholders' ability to cast a sufficiently informed vote due to the overall complexity of the exposure to and management of an issuer's climate-related risks and opportunities. If a management-filed say-on-climate proposal is on the ballot, we will consider the completeness of climate-related plans as well as the suitability of said plans, as determined by RBC GAM, for the issuer.

In 2024, we voted on a total of twelve proposals requesting enhanced disclosures on climate-related lobbying, supporting roughly 92% of them (11/12). Consistent with our approach on shareholder proposals requesting general enhancements to disclosures on lobbying activities, we identified several cases where issuers' disclosures on the alignment of their lobbying activities and climate change strategy would benefit shareholders.

We did not support any proposals requesting a restriction on spending on climate-related analysis or actions (0/20) or a restriction of fossil fuel financing (0/6). We generally viewed these proposals as overly prescriptive.

A summary of our votes on climate-related shareholder proposals is included below.

Proposal Category[25]	Proposals	Votes For	% For
Climate change action	1	0	0.00%
Climate change lobbying	12	11	91.67%
Disclosure of fossil fuel financing	8	3	37.50%
GHG emissions	27	17	62.96%
Management climate-related proposal	4	3	75.00%
Proposals requesting non-binding advisory Vote-on-climate action plan	14	0	0.00%
Renewable energy	3	0	0.00%
Report on "just transition"	5	1	20.00%
Report on climate change	11	1	9.09%
Reporting on climate transition plan	9	9	100.00%
Restrict spending on climate change-related analysis or actions	20	0	0.00%
Restriction of fossil fuel financing	6	0	0.00%

[25] The proxy voting statistics include voting for all of RBC GAM with the exception of portfolios managed by the BlueBay Fixed Income team, externally managed sub-advised portfolios, and specific institutional accounts. Proposal categories are defined by ISS.

Human rights

We believe that respecting international human rights standards helps to support a stable, resilient business operating environment, as well as well-functioning global capital markets. International human rights standards include but are not limited to: the Universal Declaration on Human Rights, the International Bill of Rights, the ILO's declaration on Fundamental Principles and Rights at Work, the UNGPs, and the UNDRIP. We believe that issuers that implement mechanisms to identify affected stakeholders and address potential or actual adverse human rights impacts may be more effective at managing material human rights risks from their supply chains, operations, customers, and/or end users.

Proxy voting

We align our proxy voting with the commitments of Our Approach to RI, as described in our Proxy Voting Guidelines. We assess each proposal related to human rights on a case-by-case basis. Where we determine it is in the portfolio's best interests to do so, we will generally support proposals that ask companies to do the following:

- Adopt or comply with policies that conform to the UNGPs, and/or express a commitment to respect the International Bill of Rights, which includes the Universal Declaration on Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.
- Adopt or comply with policies that conform to the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and report on the progress toward implementing those standards.
- Take reasonable steps, or institute an adequate review process that may include a third-party independent review, to monitor compliance with human rights and related policies throughout its supply chain.
- Disclose its practices, policies, and oversight for assessing, preventing, and mitigating human rights risks associated with the company's investments, operations, and/or activities in countries with historical or current evidence of labour and human rights abuses.
- Adopt policies that aim to address human rights risks for operations in a conflict zone. This may include policies to protect the rights of local communities and avoid exacerbating the conflict.
- Adopt independent programs to monitor the company's compliance with codes of conduct or the company's human rights policy and to provide detailed disclosure of results.
- Adopt or comply with policies that conform to the International Labour Organization's Core Conventions and report on the progress toward implementing those standards.

For more information, refer to our Proxy Voting Guidelines.

Engagement

Our investment teams may engage directly with the issuers in which they are invested on issues of human rights, for applicable types of investments and where appropriate and material. In addition to the above, we also expect issuers to disclose their practices, policies, and oversight for assessing, preventing, and mitigating human rights risks associated with the company's investments, operations, and/or activities in countries with historical or current evidence of labour and human rights abuses.

RI industry initiatives

Our RI industry initiatives related to human rights include:

- Climate Engagement Canada
- IPDD
- 30% Club Canadian Investor Group

2024 Highlights

- Updated our Approach to RI to include human rights as a systemic ESG factor.
- Updated our Proxy Voting Guidelines for 2024 to clarify our approach to shareholder proposals requesting third-party independent reviews of issuers' compliance with human rights and related policies throughout their supply chains.
- Joined Shift's "Investor Practice Group on Human Rights" to confirm and expand our understanding of investor expectations and requirements related to the UNGPs and human rights more broadly.
- Initiated an ESG research project to develop a human rights due diligence tool kit (corporates) to support investment teams' ESG integration and active stewardship activities. To be completed FY25 with support from Shift and Business for Social Responsibility.
- Supported 5/17 proposals requesting a human rights risk assessment and 4/13 proposals requesting enhancements to human rights standards or policies. We supported these proposals at issuers where we believed shareholders would benefit from increased disclosure regarding management of human rights-related risks. However, consistent with our approach to evaluating shareholder proposals, we voted against proposals where we believed the issuer provided sufficient disclosure on its commitments, policies, and oversight regarding human rights. Our proxy voting records are available on our regional websites in accordance with applicable regulations.[26]

Examples of our investment teams' direct engagements with issuers on human rights are included in Principle 9.

[26] The proxy voting statistics include voting for all of RBC GAM with the exception of portfolios managed by the BlueBay Fixed Income team, externally managed sub-advised portfolios, and specific institutional accounts.

Diversity and inclusion

At RBC GAM, we believe that proper consideration and management of risks and opportunities related to diversity and inclusion can reduce potential risks to shareholders and contribute to long-term, sustainable value creation for shareholders. We also believe that like board independence, director tenure, overboarding[27], and other governance factors, board diversity is an important characteristic in constructing high-quality boards. In our view, high-quality boards are better positioned to fulfill their duty to shareholders. Diversity and inclusion issues, and gender diversity specifically, are addressed in our Proxy Voting Guidelines, through direct engagement by investment teams, where applicable, and as part of certain RI industry initiatives, such as the 30% Club Canadian Investor Group.

Proxy voting

We align our proxy voting with the commitments of Our Approach to RI, as described in our Proxy Voting Guidelines. We review shareholder proposals on diversity and inclusion on a case-by-case basis. Where we determine it is in the portfolio's best interests to do so, we will generally support proposals that ask companies to do the following:

- Enhance disclosure of diversity, equity, and inclusion in the workplace, such as diversity-, equity-, and inclusion-related programs, goals, and demographic metrics. This may include, but is not limited to, enhanced disclosure of promotion and retention rates at different levels of management. It may also include enhanced disclosure on the progress of stated diversity-, equity-, and inclusion-related programs.
- Report on racial or gender pay equity where the company has inadequate policies or disclosure and its practices lag behind peers', or the company has been the subject of a recent controversy or litigation related to racial or gender pay equity.
- Enhance disclosure, which may include adopting policies and procedures, on initiatives seeking to prevent discrimination on the basis of age, gender, race, and other dimensions or characteristics. For more information and specific guidance, refer to our Proxy Voting Guidelines.

Regarding board gender diversity, when voting on the election of directors to the board, if a company's board has less than 30% women directors, we will generally vote against directors who sit on the nominating or corporate governance committees of the board.

Engagement

Our investment teams may engage directly with the issuers in which they are invested on issues of diversity and inclusion, for applicable types of investments. We believe that to enhance overall board effectiveness, directors should have a diverse range of backgrounds and experience. To the extent practicable, we believe that companies should publicly disclose information on the diversity of their board of directors, executive and/or senior management teams, and wider workforce. It is our view that this additional transparency better positions investors to incorporate these factors into investment decision making, where material.

RI industry initiatives

Our RI industry initiatives related to diversity and inclusion include:

- 30% Club Canadian Investor Group
- Responsible Investment Association (RIA)

2024 Highlights[28]

- We engaged with one of our research providers regarding the status of self-disclosed board diversity data in regions including the U.S., Canada, and the United Kingdom.
- RBC GAM voted against 1,915 proposals on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 1,915 proposals, we voted against the election of the nominee at least in part due to board gender diversity concerns on 1,158 proposals. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.). Refer to Principle 11 for a deeper dive into our proxy voting related to board gender diversity.
- Examples of our investment teams' direct engagements with companies on diversity and inclusion, and the outcomes of each, are included in Principle 9.

[27] Overboarding occurs when one person sits on too many boards, which diminishes their ability to serve the organization effectively.
[28] The proxy voting statistics include voting for all of RBC GAM with the exception of funds managed by the BlueBay Fixed Income team, externally managed sub-advised funds, and specific institutional accounts. Proxy voting statistics do not include votes at meetings prior to May 2024 for portfolios managed by RBC Indigo.

Fair and efficient capital markets

We participate in initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. We believe that investors need robust and comprehensive disclosure from issuers on material ESG-related factors in order to integrate material ESG considerations into investment processes. This may include disclosure of ESG policies, strategies, risk management, and ESG performance. RBC GAM participates in initiatives that encourage better disclosure of material ESG risks and opportunities and the steps issuers take to address them.

Proxy voting

We exercise the voting rights of the portfolios we manage in pursuit of the best interests of our portfolios, and with a view to enhancing the long-term value of the securities held in the portfolios that we manage. We generally support proposals that encourage enhanced disclosure and transparency on issues that present material risks to the issuers in which we are invested. Full details can be found in our Proxy Voting Guidelines. Our voting record is published on our website, in accordance with regulatory requirements.

Engagement

We engage with regulatory bodies, both individually and with other investors through RI industry initiatives, to promote well-functioning markets, and to address systemic risks. This engagement is an important component of our stewardship activities (Principles 9 and 10). Please refer to Summary of our RI industry initiatives below for more.

RI industry initiatives[29]

Our RI industry initiatives related to fostering fair and efficient capital markets include:

- Alternative Investment Management Association (AIMA)
- Canadian Coalition for Good Governance (CCGG)
- Council of Institutional Investors (CII)
- Emerging Markets Investor Alliance (EMIA)
- International Corporate Governance Network (ICGN)
- IFRS Sustainability Alliance
- Investment Association (IA)
- Responsible Investment Association (RIA)
- U.N. Principles for Responsible Investment (UN PRI)

2024 Highlights[30]

- Provided feedback through various industry organizations on the Canadian Securities Administrators' proposed amendments related to continuous disclosure for investment funds.
- Provided feedback to the Canadian Sustainability Standards Board regarding adoption of the Canadian Sustainability Disclosure Standard (CSDS) 1: General Requirements for Disclosure of Sustainability-related Financial Information, and CSDS 2: Climate-related Disclosures, which are based on the International Sustainability Standards Board's (ISSB) IFRS® Sustainability Disclosure Standards (IFRS S1 and S2).
- Provided feedback through various industry organizations to the Competition Bureau of Canada regarding Bill C-59 and certain amendments to the Canadian Competition Act aimed at addressing greenwashing.
- Served on the CCGG Public Policy Committee, CCGG Environmental and Social Committee, Climate Engagement Canada (CEC) Technical Committee, ICGN Global Governance Committee, UN PRI Policy Committee, RIA Board of Directors, ISG Board of Directors, AIMA Global RI Committee, ELFA ESG Committee, and the ISSB Investor Advisory Group. We provide comments on various regulatory initiatives through these affiliations.

[29] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.
[30] In some cases, a specific RBC GAM entity provided feedback, depending on the regulation or policy's scope, region, and/or jurisdiction.

Summary of our industry initiatives[31]

As long-term investors and stewards of our clients' assets, we participate in industry initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. Due to the RBC GAM-UK and BBAM LLP alignment in 2023 (refer to Principle 2), membership and signatory arrangements for our industry initiatives may change going forward.

Initiative	Description and key commitments	Primary theme
30% Club Canadian Investor Group	RBC GAM is a signatory to the 30% Club Canadian Investor Group. The 30% Club Canadian Investor Group is a coalition of Canada's largest institutional investors, which calls on publicly traded companies to take prompt and considered action to achieve and exceed the 30% gender diversity target and to enhance the presence of other underrepresented groups on their boards and at the executive management level. The coalition has instigated numerous engagements, for which RBC GAM may engage, provide inputs, and/or provide feedback.	Diversity and inclusion
Alternative Investment Management Association	RBC GAM is a member of the Alternative Investment Manager Association (AIMA), the global representative of the alternative investment industry. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programs, and sound practice guides. A member of RBC GAM's RI team is on the Global Responsible Investment Committee.	Fair & efficient capital markets
Canadian Coalition for Good Governance	RBC GAM is a founding member of the Canadian Coalition for Good Governance (CCGG). CCGG promotes good governance practices in Canadian public companies and works to improve the regulatory environment to best align the interests of boards and management with their shareholders. RBC GAM was also a participant in CCGG's collective engagement program and provided input for three collective engagements in 2024. In total, CCGG completed 28 collective engagements in 2024. Finally, through CCGG, RBC GAM provided comments on two regulatory submissions to Canadian regulators.	Fair & efficient capital markets Corporate governance
CDP	RBC GAM is signatory to CDP, formerly known as the Carbon Disclosure Project. CDP runs the global disclosure system that enables entities to manage their environmental impacts.	Climate change Nature
Climate Action 100+	RBC GAM is an investor participant and signatory to Climate Action 100+ (CA100+). CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change in order to mitigate financial risk and to maximize the long-term value of assets. In 2024, RBC GAM participated in four Climate Action 100+ engagements.	Climate change
Climate Engagement Canada	RBC GAM is a founding participant of Climate Engagement Canada (CEC). CEC is a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy. This is a national engagement program in Canada, akin to Climate Action 100+. In 2024, RBC GAM participated in four engagements as part of CEC.	Climate change
Council of Institutional Investors	RBC GAM is an associate member of the Council of Institutional Investors (CII). CII aims to promote effective corporate governance; strong shareowner rights; and vibrant, transparent, and fair capital markets.	Fair & efficient capital markets Corporate governance

[31] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.

Initiative	Description and key commitments	Primary theme
Emerging Markets Investor Alliance (EMIA)	RBC GAM is a member of the Emerging Markets Investors Alliance (EMIA). EMIA aims to enable institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. Over the course of 2024, the BlueBay Fixed Income team continued to participate in several EMIA work streams, such as those focusing on agriculture (Brazilian food producers and deforestation), the telecommunications, technology, and media sectors (GHG emissions), and extractives (climate change).	Fair & efficient capital markets Corporate governance Climate change Nature
Farm Animal Investment Risk & Return (FAIRR)	RBC GAM is a member of the Farm Animal Investment Risk & Return Initiative (FAIRR). FAIRR is a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production.	Climate change Nature Labour standards
FX Global Code	RBC GAM is signatory to the FX Global Code July 2021 (FX Global Code). The FX Global Code is a set of global principles of good practice in the foreign exchange market, developed to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market. It was developed by a partnership between central banks and Market Participants from 20 jurisdictions around the globe. The Global Foreign Exchange Committee promotes, maintains, and updates the Code regularly.	Fair & efficient capital markets
Global Impact Investing Network	RBC GAM is a member of the Global Impact Investing Network (GIIN). The GIIN is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world.	Impact investing
Green Bond Transparency Platform	RBC GAM is a supporter of the Inter-American Development Bank (IDB)'s Green Bond Transparency Platform (GBTP). The GBTP is an innovative open access digital tool that brings greater transparency to the Latin American and Caribbean green bond market and aims to provide a benchmark for best practice disclosure and support to all market actors.	Fair & efficient capital markets
Operating Principles for Impact Management (Impact Principles)	RBC GAM is a signatory to the Operating Principles for Impact Management (Impact Principles), which has been adopted for two U.S. impact investment funds. The Impact Principles provide a common framework for shaping and aligning with industry best practice, and promote transparency, discipline, and credibility for impact management practice in capital markets.	Impact management
International Corporate Governance Network (ICGN)	RBC GAM is a member of the International Corporate Governance Network (ICGN). ICGN aims to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.	Corporate governance
IFRS Sustainability Alliance	RBC GAM is a member of the IFRS Sustainability Alliance, a global membership program for sustainability standards, integrated reporting, and integrated thinking. Upon the Value Reporting Foundation's consolidation into the IFRS Foundation, the IFRS Foundation's International Sustainability Standards Board (ISSB) assumed responsibility for the SASB Standards. The ISSB has committed to build on the industry-based SASB Standards and leverage SASB's industry-based approach to standards development. The ISSB encourages preparers and investors to continue to use SASB Standards.	Fair & efficient capital markets
Investment Association (IA)	RBC GAM is a member of the Investment Association (IA). The IA is the United Kingdom's membership association for investment managers.	Fair & efficient capital markets

Initiative	Description and key commitments	Primary theme
Investors Policy Dialogue on Deforestation	RBC GAM is a supporting investor of the Investor Policy Dialogue on Deforestation (IPDD). The IPDD aims to coordinate a public policy dialogue with authorities and monitor developments to assess exposure to financial risks arising from deforestation. One of our investment teams co-chairs the IPDD Management Commitment and the IPDD Brazil workstream, and is a participant in the IPDD Indonesia workstream. In August 2024, the initiative held a meeting with the B3 Stock Exchange, which is located in Sao Paulo, regarding disclosures for listed companies on nature, carbon markets, and derivatives.	Climate Change Nature
Japan Stewardship Code	RBC GAM is a signatory to Japan's Stewardship Code (The Code). The Code sets out the principles that institutional investors should adhere to in order to fulfill their stewardship responsibilities to clients, beneficiaries, and investee companies.	Fair & efficient capital markets
Mission Investors Exchange	RBC GAM is a member of Mission Investors Exchange (MIE). MIE is the leading impact investing network for foundations dedicated to deploying capital for social and environmental change.	Impact management
Responsible Investment Association (RIA)	RBC GAM is a sustaining member of the Responsible Investment Association (RIA). The RIA is Canada's membership association for responsible investment. Through the RIA, RBC GAM contributed to one policy submission in 2024.	Fair & efficient capital markets
Transition Pathway Initiative (TPI)	RBC GAM is a supporter of the Transition Pathway Initiative (TPI), which aims to better understand how companies are managing the transition to a low carbon economy. TPI seeks to provide academically robust and independent assessments of how companies are transitioning in line with the Paris Agreement. TPI provides open access data that supports investors in understanding the climate transition, and works with Climate Action 100+ to provide data for the net-zero benchmark.	Climate change
UN Principles for Responsible Investment (UN PRI)	RBC GAM is a signatory to the UN Principles for Responsible Investment (PRI). The PRI is a global network for investors committed to incorporating ESG considerations into their investment practices and ownership policies. RBC GAM is committed to putting the PRI's six Principles of Responsible Investment into practice and believe that they are aligned with our existing approach to responsible investment. In 2024, a member of the RI team sat on the Global Policy Reference Group, and the BlueBay Fixed Income team continued its role in several PRI-led initiatives related to fixed income, including the Sovereign Debt Advisor Committee. As part of its involvement, the BlueBay Fixed Income team participated in several workshops.	Fair & efficient capital markets
US SIF: The Sustainable Investment Forum	RBC GAM is an institutional member of US SIF: The Sustainable Investment Forum (US SIF). US SIF states it is the leading voice advancing sustainable, responsible, and impact investing across all asset classes in the U.S.	Fair & efficient capital markets

A full list of our industry initiatives can be found at Our Commitments To Responsible Investment. An extract of the RI industry initiative engagements we conducted can be found under Principle 10.

UK Stewardship Code Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Our policies for effective stewardship

At RBC GAM, we have a number of policies that govern our RI and active stewardship activities. Each policy is reviewed on a regular basis for its ability to enable effective stewardship, and updates are made as required. Policies are reviewed and approved by the relevant internal oversight body.

The following table outlines the principal policies that relate to our RI and active stewardship activities, including their respective review processes and their highest possible level of internal review and approval. For example, RBC's Internal Audit team initiates internal audits of RBC GAM's RI activities as part of regional audit activities, on a rotating schedule. Our RI policies are within scope of a potential internal audit in any given year.

In general, policies that relate directly to our RI strategies are approved by the CIO and Head of RI. Policies that relate to the adherence to regulations or other firm-wide policies are generally approved by our regional compliance teams.

Policy	Description and updates	Level of internal review and approval
Approach to RI	Our Approach to RI is the overarching policy that governs all RI activities at RBC GAM and is structured according to three pillars – ESG Integration, Active Stewardship, and Client Solutions and Reporting. The RI team reviews and updates Our Approach to RI on a regular basis to reflect current activities and best practices. Updates to the policy are reviewed by the Leadership Committee and regional compliance teams, and are approved by the CIO. In 2024, we published an update to Our Approach to RI to better reflect best practices in RI and the processes applied internally.	**Regional compliance teams, CIO**
Proxy Voting Policies	RBC GAM's Proxy Voting Policy specifies the internal processes that govern RBC GAM's proxy voting activities across the regions in which we operate. The RI team proposes updates to the Proxy Voting Policy when there is a change in the internal processes, governance, or service providers involved in proxy voting. Updates are reviewed by the regional compliance teams and the appropriate independent review body (e.g., the IRC in Canada), and are approved by the CIO, where required. In 2024, we incorporated regional proxy voting policies for RBC GAM entities into a single global proxy voting policy. This approach facilitates consistency across RBC GAM while permitting flexibility for our individual entities to adhere to regional requirements.	**Regional compliance teams, CIO**

Policy	Description and updates	Level of internal review and approval
Proxy Voting Guidelines	The Proxy Voting Guidelines specify our approach for how RBC GAM will generally vote on specific proposals and issues in our proxy voting activities. The Proxy Voting Guidelines are applied in Canada, the United States, the United Kingdom, Ireland, Australia, and New Zealand. The RI team proposes updates to the Proxy Voting Guidelines as required, and at least annually. Proposed updates are based on new issues that arise during the year and our evolving views on ESG issues, with the objective of ensuring that voting is aligned with what we believe are portfolios' best interests. Updates are reviewed by the Proxy Voting Committee and are approved by the CIO. In 2024, updates to the Proxy Voting Guidelines included, but were not limited to: ▪ generally voting against members of the Governance Committee at issuers using unequal voting right structures that do not maintain certain shareholder protections. ▪ adding a voting guideline communicating our approach to voting on nature-related shareholder proposals; ▪ clarifying our approach to auditor tenure when evaluating the ratification of the auditor; and ▪ clarifying our approach to reviewing sunset clauses on unequal voting right structures.	**Regional compliance teams, CIO**
Firm-wide investment exclusions	At RBC GAM, we recognize the broad-based international consensus regarding investment in issuers whose business activities would contravene the prohibitions contained in any of the following conventions: ▪ Anti-Personnel Land Mines Convention ▪ Biological and Toxin Weapons Convention ▪ Convention on Cluster Munitions ▪ The Chemical Weapons Convention In recognition of that consensus and the significant risks associated with those investments, we have applied a norms-based exclusion screen where no RBC GAM investment team will knowingly invest in companies associated with anti-personnel land mines, cluster munitions, biological weapons, or chemical weapons, across several business activities including production, sales/trade, testing, research and development, system integration, maintenance, and maintenance/service/management. These exclusions are applicable for portfolios where RBC GAM controls the investment policy, excluding certain passive investment strategies.[32] For segregated accounts or products where our clients control the investment policy, excluding certain passive investment strategies, clients may request different exclusions or no exclusions. We have engaged an independent third-party research provider to provide us with a list of companies that should be excluded on the basis of this policy. The list of companies is typically updated monthly. Where there are full economic sanctions that prohibit any financial dealings with a foreign state, including investment in entities operating under the authority of the foreign state, the applicable RBC GAM entities will not invest in securities that fall within the sanctions.	**CIO, CEO**
Other Polices and Procedures	Our policies and procedures establish the requirements for RBC GAM to maintain compliance with applicable conflicts of interest securities laws and regulations for the jurisdictions in which we operate. The regional compliance teams maintain each RBC GAM entity's respective policies and procedures, with input from the relevant business teams. RBC GAM entities' policies and procedures are approved by their respective Chief Compliance Officers. Principle 3 provides more information on our policies and procedures.	**Relevant regional compliance teams**

[32] These exclusions apply to direct equity or corporate credit holdings, but do not apply to derivatives or other index exposures where our exposure is indirect.

Internal review and approval of our stewardship policies

At RBC GAM, we have a number of internal review processes in place to support the proper implementation of our RI policies. Examples include:

- Every year, the RI team documents the ESG integration processes of our investment teams. This includes teams' overarching approaches, data inputs used, steps taken, and tools used to identify, assess, and consider material ESG factors as part of their investment and portfolio management decisions. Through this process, the RI team verifies that investment teams' activities remain aligned with the commitments set out in Our Approach to RI. The Head of RI oversees the review of each team's ESG integration process, and the CIO reviews the results annually.
- Our Investment Policy team conducts periodic audits on investment teams' holdings to verify that investment restrictions included in the firm-wide investment exclusions–including those related to economic sanctions, cluster munitions, anti-personnel land mines, and biological and chemical weapons–are being consistently and correctly applied.
- Our regional compliance teams provide training, regular required certifications, and other tools to employees in an effort to ensure that policies and procedures are being adhered to. Principle 3 details the process for addressing potential or actual conflicts of interest in our RI activities.

We believe that the high level of direct oversight by RBC GAM executives of our RI activities and policies provides a strong level of governance related to the content and implementation of these policies. The RBC Internal Audit team also initiates internal audits of our RI activities on a rotating schedule. All of our RI policies are within scope of internal audit. For example, as part of an internal audit of an investment team's activities, the internal audit team may also review the team's ESG integration, engagement, and proxy voting activities. In other cases, the Internal Audit team may address the entirety of a specific RI or stewardship policy.

Finally, we may seek external audit and/or assurance on specific RI policies as appropriate. For example, in 2023 RBC GAM became a signatory to the Operating Principles for Impact Management by the Global Impact Investing Network (GIIN), a commitment that applies to two impact funds available in the U.S. In 2023, RBC GAM engaged PricewaterhouseCoopers LLP (PwC) to independently undertake a limited assurance engagement on RBC GAM's impact management processes, as described in RBC GAM's Operating Principles for Impact Management Disclosure Statement published in 2023, in alignment with the Operating Principles for Impact Management dated February 2019.

Currently, proxy voting for RBC GAM-UK equity mandates is subject to a regular external audit, which covers RBC GAM-UK's proxy voting internal controls and is conducted annually.

Continuous improvement

Our RI reporting continues to evolve in response to internal review processes, client feedback, and changing best practices. Updates to Our Approach to RI and our Proxy Voting Guidelines are included in the table above. In 2024, we also published our latest RBC GAM Climate Report guided by the recommendations of the TCFD (RBC GAM Climate Report 2023).

In 2024, we updated our approach to proxy voting research coverage on the RI team. Previously, RI team analyst proxy voting coverage was based on issuer region. Although this facilitated regional specialization, we determined that this often led to uneven analyst exposure to certain issues and workloads. Specifically, due to the regional distribution of our holdings and the tendency for U.S. issuers to have more complicated proposals for review (e.g., shareholder proposal prominence, executive compensation structures), analysts covering regions outside of the U.S. were getting less practical research experience in important areas. As a result, in 2024, we revised our coverage approach based on sector. In addition to evening out workloads and exposure to common voting topics, this change gave analysts the opportunity to work with more investment teams than previously.

In our 2023 UK Stewardship Code Report, we referenced initiating a project to automate the delivery of proxy voting data to our investment teams in a user-friendly manner. This project was deprioritized for the majority of 2024, but relaunched in late 2024 for completion in early 2025. We believe these efficiencies will reduce maintenance requirements and provide our RI team with more time to research and analyze upcoming votes.

In 2024, RBC GAM leveraged our internal ESG data infrastructure to further enable and enhance the use of ESG data as part of the investment process, in order to meet regulatory requirements, and to enhance ESG-related reporting to clients. A key focus over the past several years has been on increasing the range of asset classes included in our Climate Dashboards, which in 2024 were expanded to include climate-related sovereign metrics.

In 2024, we advanced research on climate-related topics including: a framework for assessment of corporate climate transition plans, portfolio carbon attribution analysis, portfolio optimization for emissions reduction targets, and a framework for assessing corporate issuers' exposure to climate-related risks and opportunities.

Additional information on our reporting to clients on RI activities, including how we have responded to client feedback, is included in Principle 6.

Fair, balanced, and understandable reporting

Transparency and accountability are key to maintaining meaningful relationships with our clients and delivering on our fiduciary duty. We strive to provide our clients with regular reporting on our RI and active stewardship activities. Public reports describing RBC GAM's RI activities are reviewed by the RI team, a copy editor, and regional compliance teams prior to publication, in aiming to ensure fair, balanced, and understandable reporting.

Fair

As an investment manager and steward of our clients' assets, RBC GAM has an obligation to act fairly, honestly, and in good faith with our clients. In our RI reporting, all publications are reviewed by the appropriate regional compliance teams aiming to ensure that information is presented fairly and in line with the regulatory requirements of each of the regions to which the reports apply. We also aim to ensure that material information about our clients' investments is available to those clients for whom the information applies in a fair and timely manner.

Balanced

In aiming to ensure our reporting is balanced and does not overstate the actions or outcomes of any particular team or initiative, relevant RI reports are reviewed and approved by the Head of RI and the CIO. Key publications are also reviewed by the Leadership Committee, which comprises senior executives from across the firm, and relevant sections relating to specific internal teams are reviewed by those teams for accuracy. We also consider feedback from our clients and regulators on our RI publications in aiming to ensure the information presented is meaningful and appropriately balanced across material ESG topics, investment team approaches, and case examples.

Understandable

We strive to write all reports and policies in plain language, so that a broad range of stakeholders and clients can understand and interpret the content without specialized knowledge or training. Many of our teams, including the RI team, have completed plain writing training sessions, in aiming to ensure that reports are relevant and easy to read.

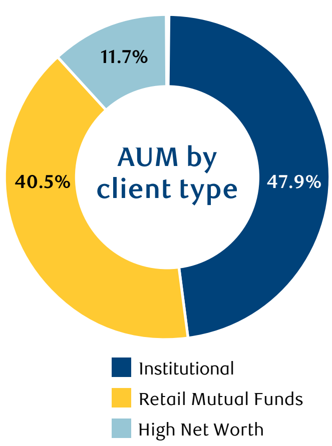
UK Stewardship Code Principle 6

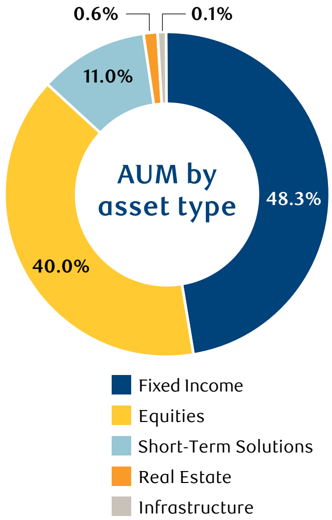
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

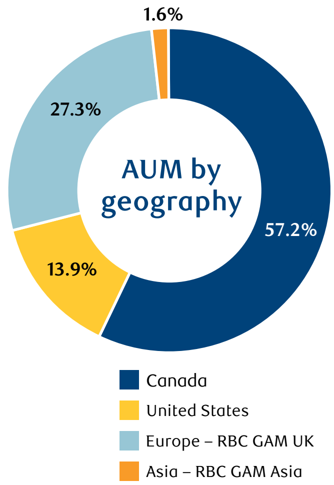
Our assets under management

The RBC GAM group of companies manage approximately £385.9 billion in assets under management (AUM) worldwide as at December 31, 2024. Our global investment teams are active across capital markets and asset classes, deploying traditional and innovative strategies.

The approximate breakdowns of our AUM by client type, asset type, and geography are as follows:[33]







We aim to maximize investment returns for our clients without undue risk of loss. We do this within the investment limits described in each investment mandate. Each mandate includes a description of the investment time horizon appropriate to the client(s), with the majority of our mandates following a medium (1-5 year) to long-term (5-15 year) time horizon. As such, this is the investment time horizon we generally consider in our investment activities and processes.

[33] Figures may not sum to 100% due to rounding.

Serving retail clients

Our client base is divided between individual investors (52%) and institutional clients (48%). More than 99% of our retail mutual fund clients are based in Canada, and our retail mutual funds are each managed according to their mandates. Individual retail investors and their financial advisors select mutual funds based on their needs and objectives.

For each mutual fund, we aim to fulfill the objectives and expectations of each mandate. Fund mandates are based on broad market demand and regulatory requirements. Given the potentially high number of individual investors in these funds, there are limited opportunities to collect detailed views and feedback.

Some of the ways in which we solicit views from individual investors include:

- Direct feedback from clients, advisors, wholesalers and/or sales leadership teams through in-person meetings, electronic communications, and events. This feedback is collected and analyzed by sales and distribution teams, with input provided to the RI, investment, and product teams, as appropriate.
- Market research conducted by RBC GAM and through third parties, which considers sales analysis, competitive landscape analysis, and client preferences and needs.
- Industry-level research and advocacy trends, as part of our membership with the Investment Funds Institute of Canada and the RIA.

RBC GAM takes our commitment to clients seriously. For example, in Canada, we provide comprehensive reporting, education, and communications with our network of financial advisors and our retail mutual fund clients, including fund updates, regular stewardship reporting, public disclosure of our RI activities, ESG insight articles, and periodic client education sessions and events. Refer to the *Meaningful Client Reporting* section below for more information.

Creating strong institutional client relationships

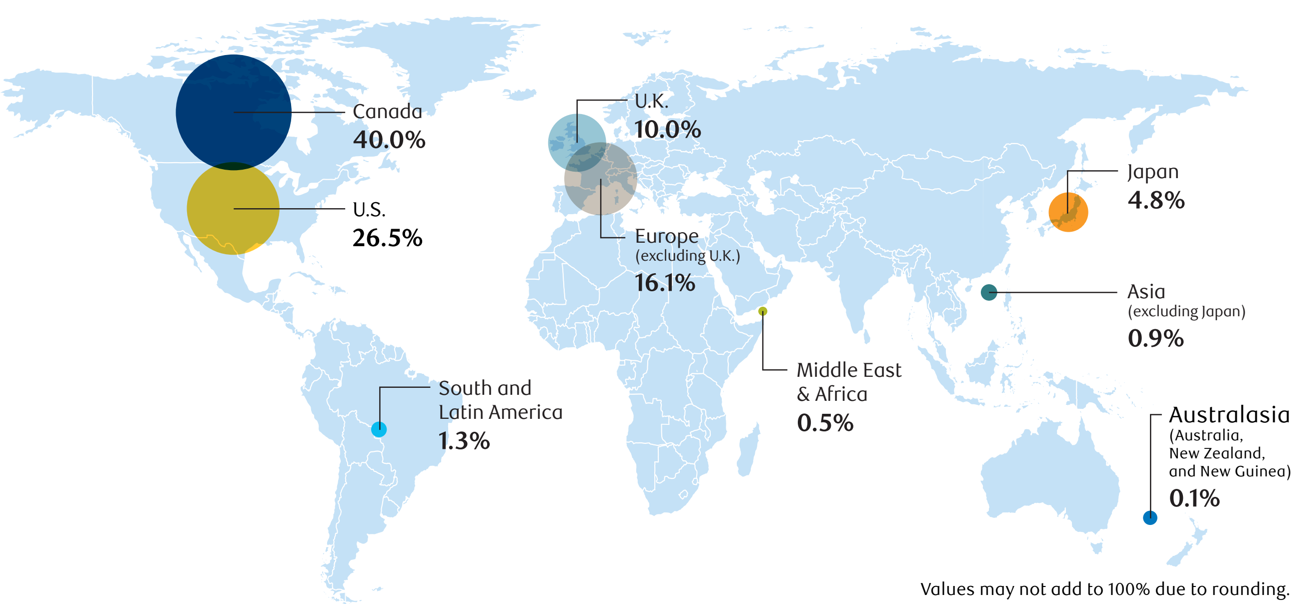
RBC GAM has a history of serving institutional clients, which make up 48% (£184 billion) of RBC GAM's AUM. Our institutional client base is regionally diverse, with 40% in Canada, 26.5% in the U.S., 10% in the U.K., and 23.5% from other regions (refer to diagram below).

RBC GAM establishes specific mandates that are based on the needs and objectives of each client. RBC GAM works directly with our institutional clients so that we may be effective stewards of their capital.

Each institutional client has a team of dedicated investment professionals to support their investment needs. These professionals work with clients to understand their investment views and objectives, which are then incorporated into their Investment Policy Statements. This includes gathering information regarding clients' investment risk appetite, time horizon, return requirements, and other parameters specific to RI and active stewardship. The Investment Policy Statement is one of the primary governing documents in our relationship with each institutional client and clearly outlines each client's mandate restrictions and long-term investment objectives.

Overview of our client base

Institutional AUM by client country / region (%)



Values may not add to 100% due to rounding.

The Investment Policy Statement directly reflects each client's investment goals and may include specific requests from clients related to their preferred approach to RI. Although RBC GAM's Our Approach to RI supports a strong stewardship program, there is some flexibility for clients to specify areas where they wish to deviate from our approach. For example, clients may choose to manage their own proxy voting activities, or apply specific exclusionary screens based on ESG factors.

Providing outstanding service to clients is foundational to our institutional client approach. Through regular meetings with their institutional portfolio managers and/or client directors, clients provide their views on investment performance and matters that are material to them and their portfolios, including any changes in their investment goals or policies. RBC GAM explicitly seeks client views on emerging trends and issues, including those related to ESG, as they arise in aiming to ensure that we understand clients' perspectives. Through regular, in-depth communication and engagement with clients, we are able to develop and maintain an understanding of clients' views and reflect these in each client's Investment Policy Statement, and in the manner in which the mandate is managed.

In addition, surveys can be an important tool for formally engaging with our clients and identifying ways we can enhance our offerings and communication. As well as taking part in external surveys, we commission our own bespoke surveys to give us detailed knowledge of how clients view our investment and relationship management, operational capabilities, and communication. Outside this, we receive direct investor feedback on our offering and performance on a continuous basis when we are prospecting for new business, engaging with existing clients, and speaking with the market more broadly.

Meaningful client reporting

To facilitate effective client conversations and in an effort to ensure we are continually seeking to meet our clients' stewardship and RI needs, we publish the following reports and disclosures on a regular basis:

Method of communication	Type of information
Institutional client reporting	**Stewardship reporting** We distribute quarterly reports for institutional clients, upon request, that provide updates on our stewardship activities, including engagement case studies and proxy voting. Several investment teams provide additional client reporting on RI, specific to their investment strategies. For example, the RBC Global Equity team distributes a quarterly Owner's Perspective Report to clients, the BlueBay Fixed Income team distributes quarterly ESG reporting for several strategies where requested, and the RBC Emerging Markets Equity, RBC European Equity, and RBC Asian Equity teams publish annual ESG reports that are available for clients. In October 2024, the RBC Emerging Markets Equity team also published its second Climate Report designed to supplement its annual ESG report. In addition to these, investment teams may also publish ESG insight articles, which are made available to clients through the RBC GAM website or via direct communication.
	ESG reports Institutional clients may request reports with additional ESG-related metrics, such as the carbon footprint of their portfolios. The frequency of these reports is generally based on client need and preference. We provide portfolio climate reports to institutional clients in some regions, as appropriate. These are client-facing reports that meet UK regulatory requirements and include a range of climate metrics for investment strategies, funds, or accounts. This includes metrics related to carbon emissions (absolute- and intensity-based), investment in carbon intensive sectors, temperature alignment, and climate scenario analysis. In 2024, we continued to expand the scope of institutional clients and portfolios for which these reports may be provided. Our quarterly reports for institutional clients may also include updates on our ESG integration approaches, where relevant, and commentary on general ESG topics that may be of interest to clients.

Method of communication	Type of information
Public disclosure	**RI policies** RBC GAM publishes our governing RI policies on our website. Our Approach to RI is RBC GAM's overall policy on RI and describes the methods we use in our ESG integration activities, our stewardship activities, and our reporting, as well as our actions and commitments specific to climate change.[34]
	Proxy voting disclosures We publish our Proxy Voting Guidelines, which are reviewed and updated annually to reflect our views on corporate governance practices we believe are in the best interests of our portfolios. RBC GAM also discloses our proxy voting records on our regional websites in accordance with applicable regulations.
	Reporting on our RI commitments We publish reports related to our commitments to the UN PRI, the UK Stewardship Code, and the Japan Stewardship Code, as well as an annual RBC GAM Climate Report. These reports are available on our relevant websites.
	ESG insights We publish ESG insight articles on a variety of ESG-related topics throughout the year. The following insights articles were published in 2024: *What's ahead for responsible investment in 2024, What is the road ahead for shareholder proposals, Perspectives on climate change and nature,* and *Investor perspectives on modern slavery and supply chain risks*. ESG insight articles are publicly available on our website.

Integration of client feedback

RBC GAM integrates clients' views and feedback into our investment approach, stewardship activities, and reporting, where appropriate. The manner with which insights are integrated depends on the type of feedback or request (e.g., knowledge building, disclosure, investment approach), the scope of applicability of the feedback or request (e.g., one client or many), and the type of client (e.g., individual investor or institutional).

For example, for our institutional clients, we are able to integrate their specific needs through segregated portfolios, which can include specific constraints or considerations that reflect their investment goals.

For matters that are material to a broad spectrum of individual investor and institutional clients, we may do the following:

- Integrate additional data or research sources into the ESG processes of our investment teams, in aiming to ensure that they are well equipped to monitor and manage emerging material ESG trends.
- Integrate views, manage systemic risk, and collaboratively engage through our collaborative initiatives, such as the UN PRI, the 30% Club Canadian Investor Group, and Climate Action 100+.
- Integrate additional data or research sources into the ESG processes of our investment teams, in aiming to ensure that they are well equipped to monitor and manage emerging material ESG trends.
- Integrate views, manage systemic risk, and engage through RI industry initiatives, such as the UN PRI, the 30% Club Canadian Investor Group, and Climate Action 100+.
- Update our Proxy Voting Guidelines with the aim of addressing the matter in a way that is consistent with the best interest of portfolios.
- Launch additional client or public reporting on those ESG trends that are material to our clients and the investments we manage on their behalf.
- Engage RBC GAM's Product Team to develop a broader investment solution to respond to client demand and serve the entire group of clients.

[34] As part of the update to Our Approach to Responsible Investment in 2024, we integrated relevant content from Our Approach to Climate Change and Our Net-zero Ambition; these documents have since been retired.

The following are a few examples of actions RBC GAM has taken in response to specific client feedback in 2024:

Addressing requests for increased insights on climate-related metrics and disclosures	We continue to engage with institutional clients to provide climate-related insights and metrics for their portfolios, when requested and as appropriate. In 2024, we developed a tool for conducting portfolio carbon attribution analysis based on questions from clients regarding what is driving changes in their portfolios' weighted average carbon intensity (WACI). This tool provides an analysis of the drivers of change in a portfolio's WACI over time (e.g., quarterly, annually), and determines whether this is due to a change in positions, data coverage, carbon emissions of the underlying investments, or other financial metrics (e.g., sales). Climate-related data quality and coverage is a topic of frequent discussion with clients, when reviewing related reporting. In 2024, we researched and implemented subsidiary mapping for climate-related data. This methodology applies climate-related data from a parent company to a subsidiary based on ownership, and can help address some of the challenges related to data coverage.
Seeking to clarify and improve our methodology for calculating ESG metrics	We have continued to develop reporting capabilities that meet ESG-related regulatory requirements, such as the SFDR.[35] Many of the disclosure requirements are novel, requiring new data and new calculations. Further, we continue to refine our existing methodologies to provide our clients with meaningful insights. In 2024, RBC GAM continued to take steps to identify additional data sources and/or explore climate-related methodologies that would enable the inclusion of additional asset classes or metrics in our climate reporting and internal Climate Dashboard. The Climate Dashboard is an internal risk monitoring tool that investment teams have access to, which provides portfolio-level analysis on a range of climate metrics and factors.[36] In 2024, the Climate Dashboard was expanded to include climate-related sovereign metrics.
Providing analysis of portfolio exposure to nature-related impacts and dependencies	In 2024, we published an ESG insight article on Perspectives on climate change and nature, and included nature-related disclosures in our annual RBC GAM Climate Report. Based on feedback from clients, we applied this analysis to several strategies and shared the results with clients. This includes content on nature-related exposure provided to clients in the RBC Global Equity team's Owner's Perspective (Q2 2024) and the BlueBay Impact-aligned Bond Fund Sustainability Impact Report.
Refining our reporting and deliverables to best serve our clients	We consider the effectiveness of our stewardship reporting on an ongoing basis, taking into consideration client feedback, usage, resources required, and duplicative efforts. As we continue to enhance our ESG-related reporting capabilities, in 2024, we consolidated several ESG-related reports.

Measurement

We believe that our level of client engagement and reporting is effective in keeping our clients well informed about progress towards their investment goals. In addition to regular institutional client performance meetings, we also gather specific client feedback and evaluations of our performance as their asset manager in an effort to ensure that our institutional clients' investment goals are being met through our investment and stewardship activities.

These evaluations have confirmed that our methods of gathering and responding to clients' views, as outlined in this section, continue to be effective.

Asset growth and client retention is another indicator we use in assessing the effectiveness of meeting our clients' needs in both individual investor and institutional markets. We track this data both internally and via third-party surveys and sales data.

RBC GAM may unintentionally contravene client guidelines from time to time. Examples include investments in a restricted issuer or breaching the concentration limit for an asset class, sector, or industry. In such cases, we conduct an internal investigation and notify the client and any appropriate regulatory bodies as required in accordance with regulatory and/or mandate requirements.

[35] The EU has put in place a transparency framework, the Sustainable Finance Disclosure Regulation (SFDR). By setting out how financial market participants have to disclose sustainability information, it helps those investors who seek to put their money into companies and projects supporting sustainability objectives to make informed choices. The SFDR is also designed to allow investors to properly assess how sustainability risks are integrated in the investment decision process.
[36] Climate Dashboards may not be provided for all investment strategies, and climate metrics may vary by period.

UK Stewardship Code Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.

At RBC GAM, ESG integration means that investment teams consider material ESG factors when making investment-related decisions within the portfolios that they manage, for applicable types of investments, with an aim of identifying potential material risks and opportunities and improving risk-adjusted, long-term performance.

Our approach to ESG integration

- **Is investment-led.** Our investment teams have developed their own methods to integrate material ESG factors into their respective investment analysis and decision-making processes, for applicable types of investments. This approach allows our investment teams to tailor ESG integration tools and resources to their investment methodologies. The ESG integration activities undertaken by each team aim to reflect the best interests of our portfolios.
- **Focuses on materiality.** Our investment teams focus on those ESG factors that they have determined may affect the value of the investment. The extent of these effects depends on the issuer, the industries and geographies in which it operates, and the nature of the investment strategy for which it is purchased.
- **Continuously improves and innovates.** The culture at RBC GAM revolves around innovation, continuous learning, and harnessing the power of human and machine. Our investment teams explore new and, in our opinion, improved ways to integrate material ESG factors into their investment approaches. Some of our continuous learning initiatives include: firm-wide ESG education sessions with external experts and speakers; internal ESG research on emerging data, themes, tools, and methodologies; an internal ESG network where our investment teams share perspectives on ESG topics; and a monthly internal newsletter on new developments in RI.

How we determine materiality

Our investment teams prioritize those ESG factors they determine to be most material to the specific investment being considered. The extent to which an ESG factor is considered material depends on several items. For corporate issuers, this can include the issuer's operations, industry, size, geographical footprint, and the nature of the investment vehicle for which it is being purchased. For sovereign issuers, material ESG factors can depend on the country's status of economic, social, and political development, the availability of and dependence on natural resources, and potential regional issues, among other factors.

Additional examples of characteristics that can inform materiality include:

Sectors and industries to which an issuer is exposed. For example, while mining companies tend to experience more investment risk from environmental factors, software firms may be more exposed to social factors like data privacy.

Location of the issuer and regions in which it operates. For example, issues related to human rights, supply chain management, and corruption can be more prevalent in emerging and developing economies than developed markets.

Asset type. ESG factors tend not to be material for asset types like money markets and cash, while they may be more material for other asset types.

While any ESG factor may be material to an investment or portfolio, we believe that there are certain systemic ESG factors that are likely material to issuers across most sectors and geographies. Such systemic ESG factors include governance, climate change and nature, and human rights. These factors may pose investment risk as well as potential systemic risks due to their ability to affect economies, markets, and society more broadly.

ESG integration in action

Our investment teams select the ESG tools and processes that work for their investment decision-making processes. However, there are some commonalities in how our investment teams consider material ESG factors across asset classes. Examples of ESG integration within asset classes at RBC GAM are listed below.

Equities

ESG integration in equity investing generally involves assessing the potential impact of ESG factors on companies' value. For example, this may include analyzing potential material risk exposure and/or the impacts of these risks on revenue growth, operating costs, and/or reputation among customers and suppliers. The approaches to this analysis may include both qualitative and/or quantitative aspects, depending on the investment strategy.

Fixed income – corporates

Corporate fixed income investors are generally most concerned about the potential impact that ESG factors may have on a company's ability to repay its debt, rather than potential impact on company value. For example, issuers with insufficiently managed ESG-related risks may be at higher risk of not being able to pay their debts, resulting in deteriorating credit quality and lower returns to debt investors.

Fixed income – sovereigns, supranationals, and agencies (SSA)

Similar to other types of fixed income, SSA debt investors are typically most concerned about the impact that ESG factors may have on the issuer's ability to repay its debt or on its reputation among debt investors (and therefore the liquidity of its debt in secondary markets). While environmental and social factors may be considered, for sovereign issuers, political risk, corruption, and human rights issues tend to be more material than other ESG factors.

Fixed income – securitized credit

ESG integration in securitized credit is particularly nuanced, as investors must take into account the specific characteristics of the assets being considered. These include the level at which ESG factors can be assessed and the visibility of underlying collateral. For example, regarding Collateralized Loan Obligations (CLO), ESG factors may be assessed at both the manager level and for the underlying collateral pool. In comparison, for Asset-backed Securities (ABS) and Mortgage-backed Securities (MBS), ESG factors may be assessed at the originator, servicer, and underlying collateral levels. The materiality of specific ESG factors in each instance may vary. In general, governance is typically more material at the manager, originator, and servicer level, and environmental and social factors are typically more material at the underlying collateral level.

Real estate, mortgages, and infrastructure

Investors in these asset classes primarily focus on assessing the direct impacts that ESG factors could have on the physical assets that underlie these investments. For example, the potential physical impacts of climate change, such as flooding and extreme weather events, may be material ESG risks to real estate, mortgage, and infrastructure investments. ESG factors that affect the profitability of tenants may also be material in some cases; for example, when it affects the ability of tenants to pay rent.

Firm-wide investment exclusions

At RBC GAM, we recognize the broad-based international consensus regarding the investment in issuers whose business activities would contravene the prohibitions contained in any of the following conventions:

- Anti-Personnel Landmines Convention
- Biological and Toxin Weapons Convention
- Convention on Cluster Munitions
- The Chemical Weapons Convention

In recognition of that consensus and the significant risks associated with those investments, we have applied a norms-based exclusion screen where no RBC GAM investment team will knowingly invest in companies associated with anti-personnel land mines, cluster munitions, biological weapons, or chemical weapons, across several business activities including production, sales/trade, testing, research and development, system integration, maintenance, and maintenance/service/management. These exclusions are applicable for portfolios where RBC GAM controls the investment policy, excluding certain passive investment strategies. We have engaged an independent third-party research provider to provide us with a list of companies that should be excluded on the basis of this policy, which is updated monthly.[37] For segregated accounts or products where our clients control the investment policy, excluding certain passive investment strategies, clients may request different exclusions or no exclusions.

Where there are full economic sanctions that prohibit any financial dealings with a foreign state, including investment in entities operating under the authority of the foreign state, we will not invest in securities that are within the sanctions.

Beyond these firm-wide investment exclusions, specific portfolios and/or investment teams may apply additional exclusions as part of their investment strategies, as described in the investment mandate.

[37] These exclusions apply to direct equities or corporate credit holdings, but do not apply to derivatives or other exposures where our exposure is indirect.

ESG integration case studies

The following summaries (and investment case studies in some instances) demonstrate some of the ways that investment teams have integrated material ESG considerations into the investment decision-making process, and how information from their integration and stewardship activities may have informed their purchasing, monitoring, and exit decisions in 2024.

PUBLIC EQUITIES

RBC Asian Equity team

Approach

The primary focus of ESG integration for the RBC Asian Equity team is risk mitigation. The team seeks to avoid investing in companies with management teams that have incentive structures that enable unscrupulous practices and/or allow companies to abdicate their responsibilities to stakeholders. The team focuses on companies with long-term viability, good corporate governance, and high returns, and works to produce portfolios that generate alpha. The portfolios also tend to exhibit positive ESG characteristics (which are non-binding), such as low carbon emissions intensity, relative to the portfolio's benchmark.

The team conducts due diligence on ESG matters by directly engaging with management for portfolio holdings, often over multiple years. Material ESG issues are integrated into company engagements, documented via ESG checklists and investment initiation reports, and monitored and discussed for material changes throughout the lifetime of the investments.

CASE STUDY: Japanese Real Estate Developer and Operator

Objective:

Gain insights on ESG practices.

Analysis:

The team met with a Japanese real estate developer and operator to discuss material ESG issues with its management team. Regarding GHG emissions, the company had reduced Scope 1+2 emissions by 53% compared to fiscal 2019 and also had a target to achieve a 70% reduction by 2030. In addition, the company had a target to reduce Scope 3 emissions by 50% by 2030 and had achieved a 42% reduction at the time of the meeting. The investment team was also seeking additional details on corporate governance practices and updates. The company had increased the representation of independent non-executive directors on the board to 50% and communicated that it planned to increase this further. The company also planned to increase the number of women on the board. At the time of the meeting, 14% of board seats were held by women. Due to these changes, the composition of the board of directors had become more diverse, with more outside directors, more women directors, and a mix of directors from various backgrounds.

Outcome:

Overall, this meeting reinforced the investment team's conviction that the company was taking appropriate steps to integrate ESG risk considerations into decision-making.

RBC Emerging Markets Equity team

Approach

The RBC Emerging Markets Equity team approaches ESG analysis in the same manner as financial metrics, as the team believes ESG matters may have a material impact on a company's long-term performance.

ESG analysis is integrated throughout the team's research platform. Top-down research is conducted on specific ESG themes, and bottom-up ESG analysis at a security level is considered as part of portfolio construction through the team's investment scoring methodology. The team uses its ESG scoring methodology to identify companies with leading ESG practices. The team conducts additional independent research and engages directly with companies, and monitors ESG factors throughout the lifetime of the investment.

CASE STUDY: South American Mining Company

Objective:
Obtain an update on climate change initiatives and carbon emissions.

Analysis:
The investment team engaged with a South American mining company to gather insights on its environmental practices. The company operates in the copper industry and tends to be one of the higher carbon emitting holdings within the team's portfolio, based on emissions intensity. However, the investment team found that the company compared well to other miners on carbon emissions and ESG management more broadly, and the team continued to view the company as an industry leader in terms of ESG. The company's climate change strategy is based on three pillars: renewable energy composition, reducing GHG emissions, and water management. In terms of reducing GHG emissions, since 2017, the company has been implementing projects to reduce Scope 1 and 2 CO2 emissions, and has so far been able to exceed its targets. As a result, it was able to meet its short-term target of reducing GHG emissions by 30% by 2025 three years early. Longer term, the company is targeting carbon neutrality by 2050, or before if technology permits. On water management, the company's mining operations are in water stressed areas. Therefore, this forms an important part of the company's climate change strategy. The company expects that by 2027 over 90% of total water consumed will be either sea, reused, or recycled water.

Outcome:
Overall, the team felt satisfied by the update and will continue to monitor and measure the company's progress in this area.

RBC European Equity team

Approach

The RBC European Equity team sees ESG integration as important to risk management and a way of identifying additional investment opportunities. ESG research and analysis occurs alongside financial analysis as part of the team's deep-dive fundamental research, which focuses on issues that may materially impact companies in which the team is considering investing or is already invested.

CASE STUDY: UK Building Trade Supplier

Objective:
Visit company to view human capital progress.

Analysis:
The team conducted a site visit with a UK building trade supplier. The team visited one of the company's depots and it was clear there was an engaged workforce; some employees had been there for over 25 years, and the average tenure was more than 11 years. The team also visited one of the company's main distribution centers where the company had not experienced a lost time incident in seven years. The company has implemented a continuous improvement program on a variety of safety measures and has taken employee input to make improvements where necessary. The team was also able to speak to members of the company's operations team who went through some of the initiatives the company was undertaking to reduce its carbon footprint in distribution. From an inbound supply point, the company brings in 95% of its European supplies via rail to reduce its carbon emissions footprint. It also has 15 liquified natural gas trucks and 2 electric trucks in its fleet and looks to expand this to reduce emissions in its outbound logistics as well.

Outcome:
The team was happy to see the progress the company is making in reducing its carbon emissions. The team also appreciated witnessing the level of engagement of the workforce from within both the depot and distribution center. The team believes relationships are key in the business, so it is important to have employees with longstanding relationships with its customers.

Update:
The investment team met management earlier in the year and were advised how sustainability measures were important to the success of the company's business. Management explained how it was looking at ways to reduce emissions and the importance of a diverse workforce with an entrepreneurial culture and the investment team was pleased to see this in practice at the sites.

RBC North American Equity team

Approach

The RBC North American Equity team integrates ESG factors by researching and analyzing key themes and trends affecting sectors and companies, and incorporating these alongside the team's fundamental analysis, where considered material.

Among other tools, the team employs an internal questionnaire to identify ESG factors that could impact the profitability and sustainability of applicable companies the team invests in. In doing so, the team seeks to understand the financial and reputational impacts of these factors, assess the degree to which they are reflected in the current valuation, and incorporate material factors into the overall investment decision. The information and analysis gathered via the team's ESG questionnaire framework can further be incorporated into scenario analysis and ongoing portfolio monitoring, when it is found to be material.

CASE STUDY: Canadian Oil Producers

Objective:
Inform assessment of GHG emission management and reduction.

Analysis:
The team met with various Canadian oil producers throughout 2024. The issuers have been advancing several different emissions reduction initiatives. However, policy and funding uncertainty has limited progress. The investment team's discussions with the issuers focused on potential scenarios for these projects, helping the team to better understand potential capital requirements and timing. The political uncertainty in Canada is causing further delays to the issuers' investment decisions given the potential for emissions regulations to change with election outcomes. Overall, the issuers are progressing with new extraction technologies that could meaningfully reduce their emissions intensities. However, the future of large-scale carbon capture, for example, is uncertain.

Outcome:
The team will continue to monitor issuers' activities in this area. The issuers continued progress on advancing emission reduction technologies, where possible, was viewed as a positive development. However, the current political, funding, and policy uncertainty, cast some doubt on the pace of progress moving forward.

RBC Global Equity team

Approach

The RBC Global Equity team believes that over the long term, investing in great companies at attractive valuations generates value for shareholders that exceeds the return from the average company or the market. The team believes that by evaluating the performance of extra-financial factors, including material ESG factors, it is able to reduce risk, uncover alternative sources of alpha, and achieve a responsible allocation of capital.

ESG research and data is assessed as part of the fundamental analysis that comprises an investment's stock review report. An internal ESG score is developed, and the results of ESG analysis and scoring may be directly integrated into the financial model for that investment and ESG factor-driven scenario analysis, when material. Material ESG factors are further monitored at both the portfolio and investment levels throughout the lifetime of the investment.

CASE STUDY: U.S. Health Care Company

Objective:
Due diligence on an existing investment following a cyber attack.

Analysis:
Cyber security has been an important focus in the RBC Global Equity team's ESG integration process, having observed a link between cyber attacks and share price declines. This topic is often covered in the team's annual ESG engagement meetings with companies. The team seeks to better understand the processes in place to both mitigate the occurrence of cyber attacks and help ensure minimal impact if an attack occurs. In 2024, in the wake of a cyber attack incident, the team engaged with a U.S. health care company's CEO and its Head of Legal, as well as external cyber security experts to better understand if a recent cyber attack at the company was a case of management negligence, thus impacting the team's investment thesis. The team believed the company acted quickly to ensure minimal data was lost and services could resume. The company advanced over US$5 billion in interest free loans to cover medical claims. It was also able to mobilize 13,000 laptops and 40,000 tech engineers in the 24 hours following the attack to help stabilize and protect those affected. The U.S. government also required minimal intervention, which the team believed was a good signal of belief in the company's ability to handle the situation.

Outcome:
The team will continue to monitor this issue, with a particular focus on understanding how the company is learning from this attack, and how it is strengthening its cyber strategy as a result. The team viewed the response from the management team as comprehensive, and this analysis reinforced the team's investment conviction.

RBC U.S. Growth Equity team

Approach

The RBC U.S. Growth Equity team seeks to invest in quality companies that operate in attractive end markets, are market leaders, are gaining share, and have management teams that both enhance operations and have positive track records of capital allocation. The team believes that companies that outperform their peers on material ESG factors have the potential to generate added value to shareholders. ESG research and analysis is integrated as part of the initiation process for evaluating new companies and potential investments within the team's coverage universe, and material factors are monitored throughout the lifetime of the investment. ESG risks and performance are also monitored on a portfolio level, and additional analysis is undertaken when material changes or events occur.

For U.S. small-capitalization issuers in particular, governance-related issues like board composition, executive pay, and quality of management are typically the most material ESG factors. In addition, companies in this market tend to be earlier in their ESG disclosure journey, so the RBC U.S. Growth Equity team often relies on external data and direct engagement with companies to gather information and understand how these issuers are managing material ESG factors.

RBC U.S. Value & Core Equity team

Approach

The RBC U.S. Value & Core Equity team focuses on companies with low valuations with financial strength. The team manages for overall risk through strong valuation and sell discipline, diversification, as well as limits on individual stocks and sectors.

ESG analysis–both risks and opportunities–is incorporated into the investment process. An ESG discussion accompanies new investment ideas, and maintenance of the ideas in the portfolio involves ongoing monitoring of relevant management comments, proxy discussions, as well as third-party vendor white papers and their ESG ratings.

RBC Quantitative Investments team

Approach

The RBC Quantitative Investments team has integrated ESG into its systematic quantitative investment process. Given the team's belief that inferior ESG characteristics (management of and/or exposure to material ESG-related risks) may correspond to elevated investment risk, the team integrates two ESG controls directly in its models, for applicable portfolios. First, it controls the exposure to assets that rate poorly on ESG characteristics. Second, it controls the portfolio's average ESG characteristic exposure so it exceeds a predetermined threshold (the minimum ESG threshold for each portfolio is based on the ESG characteristics of its underlying index.) The ESG controls are integrated into the team's systematic investment processes in such a way that they reduce exposure to the most material ESG risks. As part of the implementation process, the team monitors ESG data points for its portfolios and maintains an internal ESG dashboard for this purpose.

PH&N Canadian Equity team

Approach

The PH&N Canadian Equity team's ESG integration process focuses on ESG issues that may materially impact the future value of the company being evaluated, positively or negatively. The team uses its internal ESG scoring framework, ESG data, and due diligence to assess companies' ESG performance and the materiality of ESG risks and/or opportunities. The team also uses a relative ranking methodology to compare securities to others in the same sector on ESG performance. The ESG scores and analysis are incorporated into the team's overall investment research and conviction score, which drives security selection and portfolio construction. Material ESG factors are monitored over time for securities in the portfolio.

CASE STUDY: Canadian Health Care Company

Objective:

Identify potential risks related to healthcare access and affordability.

Analysis:

The team met with a Canadian health care company to discuss access to and affordability of health care. The Canadian federal government plans to implement a national dental care program that will extend public health care benefits to include dentistry. This would benefit Canadians not currently covered by dental insurance or without the means to pay out of pocket. However, this program could be a threat to the company's business if Canadians who were previously covered by private insurance are now eligible for public coverage, under the assumption that the government will offer lower service rates. The company management noted the mitigating factors that this program will expand the market size and provide new patients not previously covered, and that the program will have more impact on rural areas where the company does not do business. The team agreed with the management's view that these mitigating factors lessen risk, but still believes the risks are meaningful enough to continue monitoring.

Outcome:

This engagement helped improve the team's conviction by providing a better understanding of a known risk.

FIXED INCOME

BlueBay Fixed Income team

Approach

BlueBay Fixed Income team analysts conduct ESG evaluations as part of their fundamental credit research, with the RBC GAM RI team reviewing the outputs where applicable. This process applies across the BlueBay Fixed Income team, which includes strategies like Global Fixed Income, U.S. Fixed Income, and U.S. Impact Investing, among others. It enables identification, assessment, and documentation of material ESG risks and determines the extent to which these risks are considered material for issuers and the securities they issue. ESG evaluations are undertaken for both corporate and sovereign issuers for in-scope investments.

The BlueBay Fixed Income team issuer ESG evaluation framework results in two distinct but complementary proprietary ESG metrics:

- *Fundamental ESG (Risk) Rating*, which indicates a view on the quality of management of material ESG risks faced by the issuer. Issuers' Fundamental ESG (Risk) Ratings are assigned at the issuer (or entity) level based on a five-point scale, which can be very low, low, medium, high, or very high. The assignment of this rating is a shared responsibility between the investment analyst and a fixed income specialist of the RI team, for in-scope investments.
- *Investment ESG Score*, which reflects an investment view on the extent to which the ESG risk factors (as denoted by the Fundamental ESG (Risk) Rating) are considered investment material and to have an impact on valuations and creditworthiness. This is a security/instrument-specific assessment, assigned at the issuer level, that ranges from -3 through to +3. The score is generated and owned by investment professionals.

These two data points enable the investment team and the RI analysts to express their ESG views on an issuer. The metrics can then be used by portfolio managers to inform portfolio construction decisions.

CASE STUDY: Central European Sovereign

Objective:
Identify social and governance risks and opportunities.

Analysis:
The central European sovereign has been assessed by the BlueBay Fixed Income team using its proprietary ESG evaluation framework to have a "high" Fundamental ESG (Risk) Rating due to the ongoing deterioration of the social and governance landscape of the country. The regime that the leader is presiding over has become increasingly authoritarian and restrictive, undermining freedoms of the press, association, and expression, while curtailing opposition and dissent. Corruption is a growing concern and mechanisms to address it were often co-opted by government institutions. Additionally, this country is increasingly at odds with the European Union (EU) for its policies, which are seen to be an erosion of EU values. The country leader also has strong personal ties to Russia's President Vladimir Putin.

It has become ever more apparent that the leader's ongoing conflict with the European Commission (EC) has put a significant strain on government finances, which is acting as a headwind to the country's economic growth prospects. Rule of law issues have resulted in more than EUR20 billion of designated EU funding to the country being frozen. In addition, the European Commission has been fining the country EUR1 million for each day of non-compliance with its asylum policy.

Outcome:
In light of the negative governance and social performance trajectory, as the year progressed, the BlueBay Fixed Income team became more negative on the country's prospects and expected to see a deterioration in governance materialize as the leader attempts to maneuver its increasingly precarious political position. Expecting this to drive markets to price in higher risk premiums in the country's assets, the investment team added a short trade for applicable investment strategies.

RBC Investment Grade Corporate Fixed Income team

Approach

The RBC Investment Grade Corporate Fixed Income team, which is part of the RBC Global Fixed Income and Currencies team, incorporates ESG factor analysis into the credit review process in order to evaluate risk exposure for applicable types of investments.

Research is conducted on issuers under coverage and credit and ESG reports are created to document the team's analysis. Reports include an assessment of the credit fundamentals, along with ESG risks and opportunities deemed material to the investment. These considerations form the basis of the investment recommendation. Material ESG factors are monitored throughout the lifetime of investments.

CASE STUDY: North American Apparel Manufacturer

Objective:
Determine whether the team should invest in an inaugural bond issue.

Analysis:
As one of the largest apparel manufacturers in North America, the company employs overseas labour in developing nations, particularly in Bangladesh, where it has greatly increased its manufacturing presence in recent years. Labour safety and welfare are particularly relevant social issues for the company. For instance, there was a significant supply chain incident that resulted in mass casualties in 2013. The team engaged with the company's management on worker safety/welfare and learned that the company has obtained internationally recognized safety certifications in some of its manufacturing facilities, and it is working towards 100% certification on all factories operating in Bangladesh in the medium term. In terms of its raw material procurement, 100% of the cotton used in manufacturing is sourced from the U.S., where it is ethically harvested.

Outcome:
The team assessed the company on ESG factors and concluded that it has average ESG risk exposure compared to peers. Management is conscious about inherent social risk by operating in developing nations that have historically had poor performance regarding workers' safety and welfare. The team recommended participation in company's inaugural bond issuance.

RBC European Fixed Income team

Approach

The RBC European Fixed Income team, part of the RBC Global Fixed Income and Currencies team, believes that material ESG factors may impact investment returns over the long term. The team assesses ESG factors for dual purposes: risk management, and identifying alpha opportunities within its investment universe.

The team assesses ESG factors as part of its quantitative screen for investments in each sector. In this way, the team ranks the 800+ European corporate issuers within the investment universe based on issuers' ESG and credit profiles relative to their sector peers. This enables the team to identify companies with strong or improving credit fundamentals to be shortlisted for inclusion in portfolios, while avoiding those with lower rankings. For potential investments, due diligence on ESG factors is conducted and included in the credit research report for the issuer. Security selection and portfolio construction decisions are made holistically, taking into consideration both financial and ESG performance. Material ESG factors are monitored throughout the lifetime of investments.

CASE STUDY: Multinational Medical Devices Manufacturer

Objective:

Due diligence on ESG practices.

Analysis:

The team met with the management team of a multinational medical devices manufacturer during a roadshow covering operational and financial performance, targets, and outlook. The team's engagement with the issuer further solidified the team's conviction in the company's robust performance, which is evident across ESG considerations as well as the company's operational excellence. On the environmental front, the company has made significant strides in renewable energy usage, with 82% of its electricity usage coming from renewable sources. A large portion of its real estate, 72%, has been certified for energy efficiency. The company has achieved a high rate of waste recycling, with 77% of solid, non-hazardous waste being recycled. On social indicators, the company addressed wage equity by gender and assessed operations for risks related to corruption, and provided training where needed. The company has also increased reporting on health and safety impacts of its products and services with more stringent product labelling requirements.

Outcome:

The meeting strengthened the team's conviction in the issuer. The team did not make an adjustment to the holding size, but it increased the likelihood of further increasing exposure in the future.

RBC High Yield Fixed Income team

Approach

The RBC High Yield Fixed Income team, which resides within the RBC Global Fixed Income and Currencies team, incorporates material ESG factors analysis as part of the overall credit assessment for all potential and current portfolio investments. Where material data is available, the analysis may include metrics, trends, and peer and industry comparisons. Material ESG risks and opportunities are considered holistically in the investment analysis, in conjunction with the other non-ESG factors included in the credit assessment.

CASE STUDY: Australian Mining Services Company

Objective:

Reassess investment thesis on corporate governance.

Analysis:

An internal investigation revealed that the founder and CEO of an Australian mining services company failed to disclose a financial interest in an offshore company that sold mining equipment to the company's subsidiary. This revealed significant governance issues and damaged the company's reputation. The founder has taken full responsibility for their actions, expressing deep regret and acknowledging mistakes. The founder agreed to pay nearly AU$9 million in financial penalties and will remain in role for the next 12 to 18 months, while the company searches for a successor.

Outcome:

A reassessment of the risks and opportunities of this investment led the team to conclude that ESG concerns related to weak governance processes posed a greater risk to bondholders than initially expected. The decision was made to reduce exposure in the company's bonds.

RBC Developed Markets Sovereign Fixed Income team

Approach

The RBC Developed Markets Sovereign Fixed Income team is part of the RBC Global Fixed Income and Currencies team and its ESG analysis uses both a qualitative and quantitative approach. The global sovereign bond market has a diverse set of issuers for whom ESG factors have differing levels of materiality. Therefore, the application of the ESG framework will differ between groups of sovereigns. At one end of the spectrum, there are sovereign bond markets that are primarily driven by growth and inflation risk, while at the other end, the sovereign bond markets are primarily driven by credit risk where the materiality of ESG factors are more relevant. Using the Global Fundamental Model framework (refer to RBC Emerging Markets Sovereign Fixed Income below), the team generates proprietary ESG scores for countries and tracks them over time in order to identify improving or deteriorating trends in a country's ESG fundamentals. The ESG pillar in the Global Fundamental Model incorporates 30 indicators and multiple metrics per indicator that fit into the team's country scorecard framework.

RBC Emerging Markets Sovereign Fixed Income team

Approach

The RBC Emerging Markets Sovereign Fixed Income team, part of the RBC Global Fixed Income and Currencies team, believes that ESG analysis is an important element when investing in emerging market (EM) credit. Among EM countries, which tend to have weaker governance structures than those in developed markets, the team generally prefers to invest in countries with stronger ESG scores, provided that valuation is attractive. Along with other macroeconomic fundamental factors, the team believes that higher ESG scores are a reflection of both the ability and willingness of countries to service their debts.

ESG scores are derived using the team's proprietary Global Fundamental Model framework. Using back testing and fundamental analysis, the team has identified the ESG factors it believes to be most material to sovereign fixed income investing. These factors are directly built into the Global Fundamental Model framework, which results in a relative ranking of countries on ESG and other fundamental factors. Results of the Global Fundamental Model are paired with analysis of current valuations to identify issuers warranting further due diligence and potential investment. The team monitors the ESG fundamentals of more than 80 EM sovereign issuers.

CASE STUDY: International Financial Agency and African Sovereigns

Objective:
Understand impact of natural hazards, water scarcity, and governments' vulnerability and capacity to address climate change risks.

Analysis:
The team participated in the annual International Monetary Fund (IMF) meetings in October 2024, engaging in discussions with policymakers and IMF country representatives. The forum serves as an opportunity to learn about new and ongoing ESG-related topics affecting emerging market countries such as the physical impact and repercussions of climate change in Africa. Nations in the region are well-acquainted with periods of drought; however, the recent emergence of abrupt and extreme weather shifts that lead to severe flooding represents a novel and concerning trend.

North African country: Grapples with water scarcity that has stunted growth. The government has committed US$1.3 billion to a green transition aimed at addressing water issues and creating employment opportunities, particularly for youth who have had challenges finding jobs as the country has shifted away from labour-intensive agricultural exports.

Southern African country: Experienced a crippling drought that hindered economic growth and its ability to repay debt. While better conditions in 2025 could provide relief, there is a possibility that excessive rainfall could damage crops and flood copper mines, a cornerstone of the country's export economy.

West African country: Suffered from floods in 2024 that devastated cocoa crop yields, following a drought the previous year.

Outcome:
The team, along with other investors, provided feedback on bond pricing and investor-friendly features that could be included in future bond issuances in order to help these governments tackle climate change risks. The discussions at the IMF meetings highlighted the severe climate-related challenges facing emerging markets countries and, although the team decided to leave its exposure to these three countries unchanged, the team took the opportunity to discuss the potential impact that environmental risks have on the current and future capacity of emerging markets governments to meet obligations to society and private investors. Historically, periods of drought are followed by recovery through replenishing rains that boost agricultural yields and economic growth. However, the new pattern of unpredictable and extreme weather events necessitates a closer examination of impacts on the region. These nations may struggle to recover from consecutive years of negative growth, which could strain government finances and curtail the ability to repay debt. The team monitors these type of factors (i.e., water stress, impact from natural hazards, vulnerability to climate change) and integrates them in its investment approach.

RBC Canadian Governments Fixed Income team

Approach

The RBC Canadian Governments Fixed Income team, part of the RBC Global Fixed Income and Currencies team, considers material ESG factors for issuers covered by the team to complement the assessment of Canadian provincial governments and inform fundamental analysis in general, with the objective of identifying meaningful risks and opportunities associated with ESG factors, and the potential for impact on the team's investments.

CASE STUDY: Canadian Provincial Governments

Objective:
Incorporate natural disaster risks into analysis.

Analysis:
The team incorporated an in-house ESG model score into daily reports as part of the ESG assessment on Canadian provincial governments. Natural disaster risks are included in the model given this risk could incur material damages to the issuers' long-term financial and economic growth prospects.

Outcome:
The team will continue monitoring ESG factors in its assessment of the provincial governments and will continue to assess additional ESG factors that may be additive to the model.

RBC Alternative Investments team

Approach

The RBC Alternative Investments team considers material ESG risks and opportunities implicitly in the initial and ongoing credit analysis process. The credit risk inherent in high yield bonds requires stringent analysis before a bond is considered for the team's high conviction portfolio. The investment process begins with the North American high yield universe and applies several screens: industry fundamentals, credit metrics, ratings, security selection, and valuation. This process then leads to active credit monitoring, investment thesis revisions, and dynamic position sizing.

Environmental tail risks that could lead to credit deterioration (e.g., oil spills, decommissioning liabilities) are carefully analyzed. The team is mindful of avoiding sectors and issuers exposed to social risks without commensurate return (e.g., aggressive interest rates charged to vulnerable borrowers at payday lenders, egregious drug price increases at certain pharmaceutical companies), and views corporate governance as an important piece of analysis and decision making, aiming to invest in issuers with excellent alignment between key stakeholders, including their interests as creditors.

CASE STUDY: North American Specialty Chemicals Holding Company

Objective:
Information gathering to assess governance practices and gender diversity on the board.

Analysis:
The team engaged with the management team of a holding company that owns operating businesses in the industrial and specialty chemical sectors. The company had been embroiled in a proxy fight and hostile takeover battle with its largest shareholder. Through multiple ESG engagements with management, the team gained comfort with the new Chairman's plan to unlock value for common and preferred shareholders, including: 1) hitting operating and financial targets for core investments, 2) monetizing non-core assets in an expedited manner, 3) re-evaluating a holding company structure that is inefficient from a tax perspective, and 4) returning capital to shareholders. The team's discussions gave it higher confidence in supporting the company's slate of board nominees, consistent with the recommendation of a proxy research provider.

Outcome:
Due to turnover at the board, gender diversity had dropped below 30%. However, the team believed the Chairman was credible and board stability was critical after a period of significant change. Following the conclusion of the proxy contest, the investment team engaged with management and the Chairman to express its view that gender diversity may be an important feature of high-quality boards. The team supported the election of all seven of the company's nominees, who were ultimately elected to the board.

PH&N Fixed Income team

Approach

The PH&N Fixed Income team's key objective is to add value while managing risk, and the team's ESG integration approach aligns with this objective.

The team conducts research and analysis at the sector level, which includes an assessment of material ESG factors, themes, and trends affecting that sector. The team then completes in-depth fundamental and ESG analysis at the issuer level, gathering information from multiple sources including direct engagements. Ultimately, the team's analysis forms the basis of a credit report and an internal ESG score, which is used to inform security selection and portfolio management decisions. Material ESG issues are monitored throughout the lifetime of the investment.

CASE STUDY: North American Energy Company

Objective:
Form a view on quality of exposure to energy transition and fiscal prudence.

Analysis:
During early 2024, the team formally reached out to a North America energy company on two key areas of focus: 1) to voice the team's support for the company's decision to separate the liquids pipelines business via a spin-off, and 2) to highlight the team's concerns around energy transition and its implications for long-term regulatory, and other, risks facing natural gas infrastructure. On the back of this, the team encouraged the issuer to consider increasing the proportion of capital allocated towards renewable energy, including nuclear, and publicly commit to a greater and defined percentage of clean energy assets as a proportion of total assets at the company. During a follow-up call the team had the opportunity to discuss the background for the team's concerns around the company's natural gas asset concentration. In addition, the team reiterated its view that the issuer should consider committing to a greater capital allocation toward renewable energy and/or nuclear power assets. The team was very pleased to hear how receptive management was to feedback. Management agreed that the long-term outlook for natural gas is uncertain and will need to be flexible and nimble in how it adapts to energy transition concerns. The team agreed with management that at this juncture balance sheet repair is the key objective. The company mentioned that following its near-term focus on balance sheet repair, it hopes to get into a solid financial position to be able to address transition risk in the medium to long term. The company also advised the team's feedback was taken very seriously and will be presenting parts of the team's letter to the Board of Directors. The team will continue engagement efforts with the company as it moves through its strategic reorganization.

Outcome:
Overall, the team feel that the company's management team remains high caliber and is executing well on its publicly stated goals. The team's engagement efforts have contributed to its comfort in maintaining its relative positions.

Update:
The team continues to monitor the company's ESG efforts as a whole. This includes balance sheet repair, stranded asset risks, and Indigenous relations. For example, in August 2024, the team was able to speak with the issuer's Indigenous Relations Team to learn more about how First Nations communities can participate in energy infrastructure, while addressing its unique and community-specific concerns.

REAL ASSETS

RBC GAM Private Markets Real Estate Equity Investments team

Approach

As part of the RBC GAM Private Markets Real Estate Investment team's ESG integration process, new investments are integrated into the overall portfolio's ESG monitoring framework, which includes reporting and benchmarking. Prior to acquisitions, the deal team (alongside the co-investment partner's team) conducts thorough building condition, climate risk, and environmental assessments, which are integral to the transaction analysis. The team leverages proprietary tools and external data to assess climate risks, and environmental consultants are also engaged. The team assesses material social and governance risks as well, including due diligence on tenants to mitigate reputational risks and ensure alignment with the fund's ethical standards. Most portfolio-level monitoring is done through the fund's annual GRESB submission. GRESB is a globally recognized reporting framework.

RBC GAM Private Markets Mortgage Investment team

Approach

Given the illiquid nature of the commercial mortgage market, mortgage investments are typically held to maturity. This makes the analysis of ESG factors an important component of risk management for mortgage investments. The RBC GAM Private Markets Mortgage Investment team views ESG risks as falling into two main categories: property-specific and borrower-specific risks. Property-specific risks encompass a wide range of environmental risks, such as land contamination, air quality and climate-related risks, and building risks, such as building materials, physical condition, and health & safety issues. Borrower-specific risks encompass a range of potential ESG factors, and the team places a high degree of importance on a borrower's reputation in the industry, and their management of their overall real estate portfolio. The focus is to lend to high-quality, high-integrity real estate owners who have demonstrated their ability to successfully manage real estate over time.

RBC GAM Private Markets Infrastructure Investment team

Approach

Infrastructure investments may be involved in the delivery of an essential service to the public, and therefore innately attract a high degree of oversight and scrutiny from a range of stakeholders. In recognition of this, material ESG factors are integrated throughout all stages of the investment lifecycle: co-investment partner selection, investment screening, investment due diligence, and investment management and governance. For this reason, the team takes an active approach in assessing and managing any prospective investment across each element of the lifecycle.

CASE STUDY: Global Infrastructure Assets

Objective:
Carry out ESG due diligence on investment opportunity.

Analysis:
The team reviewed an investment opportunity of a group of global infrastructure assets, where one of the target companies was a water supplier. Through the investment team's initial ESG-related due diligence, the team noticed that the company was involved in customer service complaints related to water service interruptions and was being investigated by the local regulator for failing to develop and maintain an efficient water supply system. Although this finding was initially alarming, the team confirmed that the company has acted on this issue and has already started working towards its agreed-upon action plan with the regulator to respond to complaints and mitigate future service issues.

Outcome:
The team felt that the initial risk of fines and regulatory action had decreased given the company was actively implementing its action plan. As such, it reinforced the team's conviction in the overall investment and that the strong customer service mindset exhibited by the company is important in the provision of core services such as water.

UK Stewardship Code Principle 8

Signatories monitor and hold to account managers and/or service providers.

Our proxy voting providers

As active stewards of our clients' assets, we aim to convey our views to issuers through thoughtful proxy voting. To accomplish this, we developed our Proxy Voting Guidelines (refer to Principle 12) and have retained the services of ISS to manage and execute proxy votes.

ISS provides custom voting recommendations for proxies based on the Proxy Voting Guidelines. The Proxy Voting Guidelines are applied to issuers in Canada, the U.S., the UK, Ireland, Australia, and New Zealand. In all other markets, we use the local benchmark voting policy of ISS, as communicated in our Proxy Voting Guidelines. Our RI team reviews vote recommendations from ISS in aiming to ensure that they accurately capture the intent of the Proxy Voting Guidelines. The RI team draws on research from both ISS and Glass, Lewis & Co. in its review, as well as internal expertise from the RI team, the investment teams, and the Proxy Voting Committee.

We exercise the voting rights of the portfolios we manage in what we believe are the best interests of our portfolios, with a view to enhancing the long-term value of the securities held.

This process is designed so that as an asset manager, we can closely monitor the quality of research and vote recommendations of service providers, as well as the accuracy of vote processing and reporting. Globally, RBC GAM typically votes at over 3,000 meetings per year and requires consistent and diligent research from our service providers, extensive reporting and monitoring capabilities on voting activities, open lines of communication and opportunities for feedback, and a highly customized approach to the implementation of the Proxy Voting Guidelines.

During proxy voting, we employ oversight features to execute votes according to the Proxy Voting Guidelines and what we believe are the best interests of the portfolios we manage. These include the following:

- Dedicated analysts from the RI team review upcoming company meetings, evaluating proposals individually and paying particularly close attention where our custom vote recommendation calls for a vote against management's recommendations.
- The RI team receives automated alerts on particular voting circumstances including:
  - upcoming proxy contests;
  - transactional votes (e.g., mergers and acquisitions);
  - recommended votes against management;
  - updates to voting recommendations; and
  - instances where a vote has been submitted contrary to the custom voting recommendations of ISS.
- Investment teams can receive regular reports of upcoming meetings in the portfolios they manage, which may include flags and rationales for any recommended votes against management's recommendations. Teams can note and escalate voting issues where they believe the custom recommendation is not aligned with the best interests of the portfolio(s).

- The RI team flags meetings via customized watchlists in ISS's online voting platform. Examples include instances where:
  - a company is being monitored for progress on an ESG factor or unique circumstance; or
  - we voted against ISS's custom voting recommendations in previous years.
- In scenarios where RBC GAM determines the custom voting recommendations from ISS are inconsistent with the intentions of the Proxy Voting Guidelines, and/or do not reflect the best interests of the portfolio(s), a vote override process is initiated. Investment teams are consulted on vote override requests, and requests are submitted to the Proxy Voting Committee for review. Our Proxy Voting Committee includes the CIO and the Head of RI. In aiming to ensure independent oversight, no investment team member sits on the Proxy Voting Committee.

Throughout the year, we also monitor the outcomes of our voting activities and meet with ISS to discuss their implementation of our policies in aiming to ensure that voting is executed according to our Proxy Voting Guidelines. This monitoring is executed in the following ways:

- RBC GAM meets with ISS on an annual basis in advance of each proxy voting season to confirm the desired implementation of the Proxy Voting Guidelines. This involves a detailed walkthrough of the most recent updates to the guidelines, as well as a review of ISS's benchmark voting policy updates to determine appropriate implementation.
- Throughout the year, RBC GAM works directly with ISS's custom research team as new situations emerge or to refine implementation. Feedback is typically provided to ISS through ongoing dialogue.
- The RI team conducts regular proxy voting reconciliations as they aim to ensure the number of votes submitted at our issuer meetings match our internal record of securities held in affected portfolios. This process if conducted for RBC GAM Inc. and RBC Funds (LUX) equity portfolios. Where issues are identified, they are escalated to ISS and/or the appropriate custodian, as required. This process complements ISS's reconciliation process, which reviews ballots received against a record of our retail equity mutual fund holdings for RBC GAM Inc., RBC GAM U.S., and RBC Funds (LUX).
- Aggregate voting statistics are analyzed on a semi-annual basis by the RI team, independent of ISS – once at the end of proxy season, and once at the end of the calendar year. The RI team tracks statistics including:
  - votes against the recommendations of management;
  - votes against the recommendations of ISS's benchmark policy;
  - instances where we were unable to vote; and
  - votes rejected due to logistical, administrative, or market-specific issues (e.g., share-blocking).
- After proxy voting season, RBC GAM and ISS will generally meet to discuss proxy season outcomes and voting trends, which can identify outliers or instances where further implementation or refinements are required. RBC GAM also identifies instances and themes where consistent vote overrides or refinements were required throughout proxy season and communicates these details to ISS in order to facilitate any further customization.

Research providers

As outlined in Principle 2, RBC GAM retains the services of a number of research and data providers to support and enhance our stewardship activities. The primary users of this research and data include the investment and RI teams. Research and data from our providers help complement investment analysis, ESG integration within the investment process, preparation for potential engagements, and portfolio risk monitoring and reporting.

There are a number of steps we undertake in aiming to ensure that the provider and quality of data/research will meet our expectations:

1. Before purchasing data or research from a provider, we conduct market analysis to compare the potential product with its competitors.
2. Where applicable, our RBC GAM Quantitative Investments team back tests data being considered for investment and stewardship activity, and both the RBC Quantitative Investments team and Investment Risk group may assist in reviewing prospective subscriptions for data quality and consistency, where appropriate. Where inaccuracies and shortcomings in methodology are found, and it is unlikely the provider will be able to address them and meet our expectations, the provider is removed from consideration.
3. During a trial period, our investment teams may test potential research and data provider subscriptions within the context of the portfolios they manage. Investment teams then provide feedback on any research or data issues, including systemic issues that would prevent the provider from being applicable or useful to the investment process, or minor issues that could be resolved through engagement with the provider.

4. Once the provider is onboarded, we maintain open dialogue and engagement between users of the data and the providers themselves in aiming to ensure that the quality and accuracy of data and research continues to meet expectations. For example, we may seek direct training opportunities for users of the data to understand the product and new ways to integrate it. Our investment teams may also discuss research findings directly with research providers' sector analysts or research managers to help facilitate a better understanding for both parties.
5. In certain cases, where inaccuracies on issuers have been identified, RBC GAM may facilitate engagements between the issuers and research providers to discuss and resolve inconsistencies in data/research. Historically, these inaccuracies have resulted from issuers failing to disclose policies or practices on which the research provider is evaluating them, or providers' review cycles lagging issuers' publications/data releases.

In cases where existing research or data providers fail to meet our expectations despite our engagement efforts, or where superior research or products are identified, RBC GAM may terminate our subscription. Subscriptions and contracts are reviewed by our internal legal department prior to signing and upon contract renewal, as required, to stipulate the conditions where termination may be appropriate.

In 2024, we continued to onboard ESG data into our data warehouse (to meet EU Taxonomy reporting requirements). This additional resource allows the RI team to perform enhanced quality checks on the data provided by third-party vendors. Data quality checks have been an important step in introducing new ESG portfolio oversight tools and assessments. As a result of these data quality assessments, the RI team has regularly engaged with third-party research providers on the quality and completeness of their data.

The RI team continued to assess the quality of climate data from our third-party research provider in relation to the methodologies it applies and to issuer-specific data provided, where relevant. This included instances related to issuers' reported carbon emissions, the vendor's calculation of carbon intensity metrics, the frequency of carbon emissions data updates, inconsistencies between climate-related data sets or coverage, estimation methodologies, and modelled metrics such as temperature alignment and climate value at risk. These instances were either identified by investment teams as part of their ESG integration and stewardship activities or by the RI team as part of ongoing research and analysis. When instances such as those mentioned above are identified, the RI team seeks to communicate directly with the data vendor to find a resolution to the data quality and/or methodology issues. In 2024, we initiated several meetings with our data vendor to discuss and review their data quality controls and systems, and to seek resolution on identified issues. Some progress was made on identified items, and we will continue to work with our third-party vendor as items arise moving forward.

UK Stewardship Code Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

We engage with issuers, regulatory bodies, lawmakers, and other stakeholders, where applicable, in consideration of the best interests of our investments and portfolios.

Our approach to direct engagement

Our approach to engagement reflects our belief that issuers that manage their material ESG factors and related risks will likely reduce the probability of experiencing losses that would accompany an ESG-related incident.

As part of the investment process, our investment teams and RI team may meet with the issuers in which we invest on a regular basis to discuss a variety of topics deemed relevant to the investment case, which may or may not include material ESG factors, where applicable. The specific ESG factors we engage on can differ based on sector, asset class, and geography, as ESG-related engagement is prioritized based on the materiality of the ESG factor to the specific investment or portfolio. Teams may also prioritize their engagement efforts based on the size of the investment and level of risk, among other items. We seek to understand each issuer individually and through the lens of local norms and the laws and regulations of the market(s) in which they operate. We may also consider material ESG factors that may pose systemic risks, such as governance, climate change and nature, and human rights.

Consistent with our aim of maximizing the long-term, risk-adjusted returns of our portfolios, the objectives of our ESG-related engagements typically include:

- information gathering on material ESG factors and the steps the issuer is taking to address these factors;
- seeking better public disclosure of material ESG factors and the steps the issuer is taking to address those factors;
- encouraging more effective management of material ESG factors, when we believe they may affect the value of the investment or portfolio; and
- where an issuer is lagging its peers on a material ESG factor, requesting specific actions, monitoring those actions, and encouraging continued improvement on the material factor, if we believe this may affect the value of the investment or portfolio.

How we engage

For applicable types of investments, we primarily engage with issuers through private dialogue, over time. Our investment teams typically meet directly with the board of directors, management teams, or specific executives or individuals at the issuer who are responsible for overseeing the matter.

We have a strong preference for maintaining an open and private dialogue and engaging with our investee issuers to consider material factors, which may include ESG-related factors. Although we may consider more public avenues of change, such as filing shareholder proposals at corporate issuers or making public statements, we use these methods sparingly. We do not believe that broad-based divestment is an effective tool compared to engagement. However, at any stage of their analysis or engagement with an issuer, our investment teams may choose to divest from an investment or group of investments based on their judgement of the investment case.

The outcome of an engagement is generally not a sole factor in any investment decision. Instead, the information obtained from engagements on material factors is one element that can help inform the investment case.

Engagement considerations across asset classes

Public equities

As equity investors and as a large institutional investor, in many cases we have good access to boards and management. Our investment teams may have direct communication with management teams to share their views on material ESG factors that may affect long-term shareholder value. In emerging markets, where information on ESG factors is less readily available, our investment teams may focus on developing relationships with boards and management over time and may prioritize engagements based on specific ESG factors that are considered most material to the portfolio as a whole.

Fixed income – corporates

Engagement with issuers may form part of the ESG integration and investment process for our corporate fixed income teams. However, the scale and effectiveness of such engagement may vary. Engagement by our corporate fixed income investment teams can occur through various mechanisms, may be proactive or reactive in nature, and may occur through participation in industry initiatives, where this is deemed in the best interest of our investments and portfolios. In some cases, our corporate fixed income investment teams may also engage directly with other stakeholders, such as credit rating agencies.

Fixed income – sovereigns, supranationals, and agencies (SSA)

SSA engagement is a multi-pronged process and can include multiple stakeholders. For example, our SSA fixed income investment teams may engage with sovereign issuers, national institutions, ruling parties, supranational agencies like the World Bank and the International Monetary Fund (IMF), and/or others. Methods of engagement vary depending on access to the issuer, legal standing, and issuer obligations. The purpose of engagement in this asset class is typically to help understand and manage material ESG factors of our investments and portfolios, incorporating these into our investment teams' views on credit risk, balance sheet, and economic fundamentals. We may also engage to seek improvements in fiscal transparency and aim to ensure an operating environment that is consistent with well-functioning capital markets.

Fixed Income – securitized credit

Where possible and applicable, engagement within securitized credit may occur at the manager, originator, or servicer level for the securitized instrument, rather than at the collateral pool or issuer level. As in other asset classes, engagements focus on those factors deemed material to the investment.

Real estate, mortgages, and infrastructure

Engagements for physical assets differ depending on ownership type. As the direct owner of an asset (e.g., as the owner of a commercial building), we may be able to engage directly at the asset level. As a lender to borrowers in our mortgage investments, there may be opportunities to engage directly with borrowers, or through origination partners.

COMMON CHARACTERISTICS OF ENGAGEMENT WITHIN THE FIXED INCOME ASSET CLASS

Scope of Nuances by Issuer type		Observations and actions
	Corporates vs sovereigns	▪ The method of engagement between corporates and sovereigns can vary depending on access to the issuer, legal standing, and issuer obligations. ▪ Some challenges and barriers to engagement with sovereigns can exist. For example, there may be concerns around sovereignty or cultural sensitivities, especially when it comes to social matters. Access can also be a challenge, particularly if the relative size of the investment position is not significant. Engaging with emerging markets sovereigns can pose challenges due to their limited resource capacity. There are also challenges with the extent to which the government will listen to investors or can realistically bring about change in the expected timeframe. ▪ We believe sovereign engagement activities can be meaningful for both the issuer and the investor when managed well. Although the likelihood of the sovereign adopting changes may be lower when compared to corporate issuers, we typically find the focus of sovereign engagement to be for insight purposes. Moreover, there can be opportunities to contribute to outcomes, such as improved fiscal transparency and aiming to ensure an attractive operating environment (e.g., strong financial regulatory frameworks) that gives investors confidence.
	Differences between sub-asset classes (e.g., high yield, investment grade)	▪ It may be easier to engage with issuers with investment grade (IG) credit quality than those with high yield (HY) status. This may be due to factors such as larger size and resourcing of the IG issuer, or the issuer also having listed equity and corresponding shareholder engagement. These factors may enable issuers to be more receptive and able to address investor ESG requests. ▪ Engagement with HY issuers can potentially be fruitful as they have a smaller investor base due to their riskier credit profile. As such, they may be more willing to accommodate investor requests. However, they may be less frequent issuers to the market, which can make holding them accountable more challenging. Engagement with high yield issuers can be important as they tend to have less robust ESG disclosure and are less likely to be covered by third-party ESG research providers.
	Emerging markets vs developed markets	▪ Accessibility of issuers within emerging markets versus developed markets can be a challenge from both a corporate and sovereign perspective. Typically, emerging markets issuers may be less aware and/or be more resource constrained than developed market peers. Regulatory frameworks with respect to ESG standards may be less developed in emerging market countries, although some have made advances in recent years. ▪ We believe engagement can be relevant for issuers in both emerging and developed markets. What may vary are the topics we engage on given differences in materiality. ▪ While there can be challenges in engaging with emerging markets issuers, such engagement can be particularly useful to help us better understand ESG practices where disclosure is less robust, as well as to contribute to outcomes in line with best practices.
	Conventional public debt vs securitized debt	▪ Engagement is typically more straightforward with a single issuer. In the case of securitized credit, while engagement is still possible, the nuances of the asset class need to be considered. Specifically, our investment teams may consider the methods of ESG engagement applied, the appropriate stakeholder(s) to engage with, and the degree to which changes in the outcomes are possible. ▪ For example, when investing in a CLO, it is more likely that engagement will focus on the loan manager than at the transaction level with issuers within the collateral pool directly. When focusing on the loan manager, our investment teams may seek to understand their ESG practices and the extent to which such considerations are incorporated into the entities within the collateral pool.

Engagement case studies

Our investment teams may meet with the relevant representatives of investee issuers on an ongoing basis, often discussing ESG-related risks and opportunities material to our investments. As noted above, we completed over 1,700 ESG-related engagements in 2024. Public equities engagements represented approximately 60% of these engagements, and fixed income represented about 40%. Consistent with the characteristics of the sub-asset classes, engagements in real estate, infrastructure, and mortgages represented a small percentage of overall engagements. [38]

Engagements are conducted for a variety of objectives, as discussed in our approach to direct engagement above. In most cases in 2024, the objective of engagement was information gathering, and the outcome was integrating that information into investment analysis, decision making (e.g., buy, hold, sell), and monitoring. However, there were also cases where we expected the issuer to undertake specific actions, such as introducing public disclosure on material ESG topics or creating strategies for managing material ESG issues.

An overview of engagement approaches of investment teams, and some examples of ESG-related engagements from 2024 and their outcomes are provided below.

PUBLIC EQUITIES

RBC Asian Equity team

Approach

The RBC Asian Equity team believes engagement can lead to positive change for shareholders. Its engagement approach focuses on in-depth and ongoing dialogue in order to establish long-term relationships with management teams. The team generally advises and encourages investee companies to do the following:

- Enhance disclosure and provide more data on material ESG issues.
- Address material ESG issues and cooperate with third-party ESG rating agencies.
- Become industry leaders regarding material ESG issues.

As APAC generally lags behind other global markets in terms of ESG regulations and disclosures, the team's engagements are heavily focused on encouraging companies to start publishing sustainability reports, if the company has not already done so.

CASE STUDY: Global Property Group

Objective:
Progress on developing and operating sustainable properties.

Engagement:
The team engaged with a global property group that owns, develops, and manages critical warehouse and data centres needed to power the digital economy. The company continues to focus on reducing its emissions and supporting its customers' sustainability ambitions. It has achieved carbon neutral operations three years ahead of schedule. The company is on track to achieve a reduction of 42% of gross Scope 1 & 2 emissions (relative to a fiscal year 2021 baseline) by end of fiscal year 2030. The company is also on track on its commitment to install 400 megawatts of solar photovoltaic capacity.

Outcome:
The team received an update on the company's progress against stated emissions targets. The company is on track to achieve its goals.

[38] The reported figures may not fully capture all ESG engagements as some may not be included in our tracking systems. Engagements purely on non-ESG factors are excluded. The reported figure includes instances where we engaged with the same issuer more than once.

RBC Emerging Markets Equity team

Approach

Engagement forms an important component of the RBC Emerging Market Equity team's investment philosophy and process.

The investment team approach is to encourage in-depth and ongoing private dialogue with the companies in which it invests, and to establish strong long-term relationships with management. The team is patient with companies and tries to give them time to change on their own terms. This is in line with the investment philosophy whereby the team positions itself as an owner of a company rather than as a short-term investor. The team believes that engagement is more likely to be successful when approached in this manner.

The team meets regularly with the companies in which it invests and discusses risks and opportunities relating to ESG. The team also aims to engage with multiple stakeholders across the business, including senior management. This allows the team to share its philosophy on RI and also to gain a well-rounded view of a company's approach to ESG and how it is incorporated into its business practices and management structures, as part of the team's focus on long-term durability.

The team engages on a case-by-case basis with the portfolio managers filtering ESG information and considering ESG priorities specific to each company.

The team supplements its company-specific engagement activities with a targeted approach, focused on select areas deemed as being sufficiently important to merit engagement with each of the companies that it invests in. These are areas where the team has built expertise and where it feels it can have productive discussions with companies around best practices. Current focus areas include climate change, supply chain integrity, and employee engagement and corporate culture. The investment team reviews its focus engagement areas annually.

CASE STUDY: Chinese Consumer Brand

Objective:
Discuss topics of executive compensation and employee engagement.

Engagement:
In terms of executive compensation, the team engaged with a Chinese consumer brand's Chief of Staff and learned that the company has made two key changes to its long-term incentive plan (measured over three years) in 2024, by introducing ESG and return on invested capital (ROIC) related metrics. The team also engaged with the CEO on employee engagement and retention. The company aims to provide health insurance to employees' parents and has done so for store managers, which has helped lower the turnover rate. This benefit has now been expanded to the management team, and the goal is to provide this for all employees. Another area of focus is to increase internal promotion opportunities.

Outcome:
The team was pleased with the discussions and initiatives underway, and will continue to engage and monitor progress.

RBC European Equity team

Approach

The RBC European Equity team conducts engagements primarily for the purpose of information gathering on material ESG issues. When material ESG issues arise, the team seeks additional detail on the company's response and actions it is taking to prevent recurrence. In some cases, the team may also make recommendations to management, which the investment team believes may lead to positive change over time for shareholders. The depth and breadth of ESG questions posed during engagements depends on the team's overall holdings in the company and the length of time the team has been invested in that company.

CASE STUDY: European Bank

Objective:
Discuss the company's duty to its customers and the proper use of its customer data.

Engagement:
Given its vast collection of customer data, there is a risk that the bank could use the data to cross-sell products in other areas. The company reiterated that it is not allowed to conduct "forced" cross-selling, including repackaged products, and requires customers to opt in before the company can interlink products. The company noted that regulators are aware of the digital movement and are concerned about repackaged products. The company has taken steps to ensure that it is not misusing customer data, especially given the repercussions of facing reputational damage or regulator scrutiny.

Outcome:
The investment team expects this will be an ongoing issue for banks, and was comfortable that the issuer is taking appropriate measures to help ensure customers are not being targeted inappropriately.

RBC North American Equity team

Approach

The RBC North American Equity team engages with management teams and boards of portfolio companies on a wide range of topics, including ESG issues. The purpose of the team's engagements is generally to convey its views to companies, and to incorporate information gathered on material ESG issues into investment analysis. The team uses a variety of corporate and third-party inputs to assess ESG materiality and to monitor potential exposure to ESG risks.

CASE STUDY: Canadian Manufacturer

Objective:
Discuss the board's approach to governance.

Engagement:
The team enquired about the future growth and direction of a Canadian manufacturing business, as well as how the board would support the CEO if the direction of the business changed, given the potential for the business to increase in complexity. The board stated it is confident in management quality and its framework for building the business. The board has also created a strategic opportunities committee to support management with inorganic growth. Compensation was also discussed, with a focus on long-term total compensation and the importance of attracting a strong CEO. ESG is being addressed by the company through a sustainability committee and a governance committee, while health and safety appears to be a top priority. Environmental disclosures are improving and continue to look towards reducing GHG emissions. Additionally, these factors are assessed when considering potential acquisition targets.

Outcome:
Overall, the investment team was satisfied with the company's performance and will continue to monitor its progress on these items moving forward.

RBC Global Equity team

Approach

The RBC Global Equity team believes there are three principal forms of company engagement for its ESG engagement activities:

- Enhancement Engagement: Engagements where the team enters into dialogue with the company with the goal of sharing views on the holding's approach to particular material ESG issues.
- Active ownership: Practical stewardship of existing holdings.
- Due diligence: Assessment of multiple factors prior to investment.

The team's engagements are prioritized and chosen using a risk-based approach. This focuses on the materiality of the ESG risks and opportunities to the investment thesis, the team's expectations of progress within a reasonable timeframe, and the resources required. Engagements play an important role in fundamental ESG analysis, and while the team engages across a variety of issues, there is notable concentration on human capital and broader climate-related issues.

Finally, the engagement process is often dual-sided, with some companies reaching out to the investment team for its input or advice on certain ESG-related issues.

CASE STUDY: European Energy Company

Objective:
Discuss material ESG factors including the company's transition strategy.

Engagement:
The team engaged with a European energy company to determine whether the company remains on track to meet its target of 50% capital expenditure going towards renewables by the end of 2025, given the current offshore wind crisis. Offshore wind has experienced its first real crisis, fuelled in part by higher interest rates. The company is increasingly looking at its renewable strategy through a geographic lens. For instance, the company believes that while onshore renewable projects have better return prospects in Europe over the short term, offshore wind will be profitable and material for Europe over the long term, and this requires commitment and investment in projects in the near term. In addition, the company continues to engage and work with turbine manufacturers to build a more standardized turbine market, as the market has yet to reach a production phase.

Outcome:
Overall, management highlighted it remains on track for its targets. As the company gears up to publish its updated transition strategy next year, the team plans to engage with management to consider its targets, particularly given the recent volatility in the renewables market.

RBC U.S. Growth Equity team

Approach

The RBC U.S. Growth Equity team invests in small-cap companies, which tend to have less mature ESG-related disclosures. Therefore, the investment team's primary objective for engagement is typically to gather information on material ESG factors. Prior to meeting with companies, the team identifies relevant questions that may include ESG-related topics, if deemed material.

RBC U.S. Value & Core Equity team

Approach

The U.S. Value & Core Equity team frequently engages with the management teams of portfolio companies on a wide range of issues, including material ESG factors. ESG engagement opportunities with micro-cap and small-cap companies tend to be more limited, as meetings and calls are often short and focused on quarterly results, strategy, and fundamentals. However, the investment team has found management teams to be more proactive about engagement on ESG issues than in past years, and some companies now have staff dedicated to ESG-related investment concerns. This provides the investment team with specific contacts for ESG matters and some calls and meetings now devote more time to ESG issues.

CASE STUDY: U.S. Refrigeration Company

Objective:
Understand practical implications of an environmental regulation.

Engagement:
The team had a discussion with the CFO of a U.S. refrigeration company about the practical implications of a statutory requirement, effective January 1, 2024, that 40% of all annual hydrofluorocarbon (HFC) production in the U.S. must be from recycled HFCs, rather than virgin production. This is a 10% increase from the requirement in place prior to the beginning of the year. HFCs are GHGs, which are used primarily in refrigeration and air-conditioning equipment, and greater use of recycled HFCs reduces GHG emissions compared to virgin production. The company is the U.S. market leader in recycled HFC production. The team discussed how the Environmental Protection Agency (EPA) is requiring stringent reporting standards to assure compliance and that many of the company's smaller, less sophisticated competitors may not be able to meet these standards.

Outcome:
Ultimately, the team believes the company may serve to benefit from this regulation.

PH&N Canadian Equity team

Approach

The PH&N Canadian Equity team believes engagement can provide a competitive advantage. The team emphasizes relationship building with its investee companies and engages with investee companies' management teams and boards of directors on a wide range of issues, including ESG-related issues. The primary objective of the team's engagements is information gathering to supplement fundamental analysis. However, the team also shares its views on material ESG topics as part of its engagements and will often ask for specific action on governance topics as part of proxy-related engagements. Material information identified during an engagement is updated in the team's internal ESG analysis, which may impact the investee company's internal ESG score. This in turn may affect the team's decision to buy, hold, or sell the security.

CASE STUDY: Canadian Equipment Manufacturer

Objective:
Understand air and equipment quality at manufacturing facility.

Engagement:
The team recently attended a plant tour at a Canadian firm that manufactures heavy equipment for the industrial industry. The team noted several improvements to the building including a newly installed heating, ventilation, and air conditioning system in the welding shop, as well as new cranes. The company communicated these installations had significantly improved air quality, safety, and employee morale. The team also commended the executive team for appointing a new manufacturing team that has improved the plant's operational efficiency and layout. The manufacturing team is composed of a diverse set of individuals who bring in expertise in lean manufacturing from previous firms.

Outcome:
The investment team was pleased with the recent efforts made by the company and will continue to monitor future developments.

FIXED INCOME

BlueBay Fixed Income team

Approach

The BlueBay Fixed Income team believes that providers of debt have a role in engaging with issuers and other relevant stakeholders on matters with the potential to impact investment returns, which may include ESG-related factors. At a minimum, the teams engage on ESG factors if these are deemed to represent material ESG risks. ESG engagement is prioritized based on the issuer's ESG risk exposure, quality of ESG mitigation efforts, and ESG performance trajectory, as well as the size of the team's investment exposure and the bond's position in the capital structure.

The BlueBay Fixed Income team's engagements may alternate between information gathering and efforts to encourage issuers to put improvements into practice, or may contain elements of both, and the team's engagement approach is incorporated into the investment research process, where viewed to be material.

CASE STUDY: European Renewable Energy Company

Objective:
Understand biodiversity framework.

Engagement:
The team consulted with a Danish renewable energy company on the issuer's Biodiversity Measurement Framework. The framework was created to enable the implementation of its goal of net positive biodiversity impacts by 2030. The framework was informed by both internal and external stakeholders, including the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). While there will be additional costs to implementing the framework, the company believed it will not be material and that these efforts could reduce the risk of project failure, support the maintenance of its social license to operate, and create a potential competitive advantage in the tendering process. It was evident the company is taking a thoughtful approach, and its balancing of top-down and bottom-up practices of both subject matter and operational practices should help to position the company to succeed in its goals. The team had already grown more confident in its investment earlier in 2024, ahead of the company's revised strategy announcement in February 2025.

Outcome:
Following its recent engagement, the investment team remained comfortable with its exposure to the company across some of its investment grade corporate bond strategies.

RBC Investment Grade Corporate Fixed Income team

Approach

The RBC Investment Grade Corporate Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement mainly for information gathering purposes in its ESG integration process.

The team engages with management through roadshows and sell-side broker conferences, where one-on-one meetings with issuers are facilitated.

CASE STUDY: North American Real Estate Investment Trust

Objective:
Understand governance issues at company.

Engagement:
The team engaged with a North American real estate investment trust's CEO and CFO directly through an industry conference. The company had dropped having a Moody's credit rating after it was downgraded to "junk" by the credit rating agency earlier in the year. Management opted to keep dividend distribution to shareholders despite continued deterioration of credit metrics, at a time when there were great uncertainties regarding the path of recovery, including occupancy and financial performance.

Outcome:
Post engagement, the team agreed with management's decision to drop Moody's credit rating, but still had reservations about its decision to keep paying dividends. The team communicated to management that balance sheet preservation should be a priority, and that cutting dividend distribution would be prudent and well received by credit investors. Management declined to cut paying dividends, stating that the amount was "immaterial" compared to the scope of the asset disposition program the company has planned for the near term.

RBC European Fixed Income team

Approach

The RBC European Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement mainly for information gathering purposes in its ESG integration process.

The team may engage with management through roadshows for new issuances or through sell-side broker conferences, where one-on-one meetings with issuers are facilitated.

CASE STUDY: European Integrated Energy Company

Objective:
Gather updates on climate change, environmental safety, and workplace diversity.

Engagement:
The team met with a European integrated energy company as part of a sell-side broker conference. The company went through its broader corporate strategy, outlook for the year, key challenges on both macro/industry and individual operations perspectives, as well as progress on its ESG goals.

Outcome:
The team gained insights into the company's ESG objectives for the year, along with its progress toward its 2030 and 2050 aims. Notably, the firm showed progress in its transition growth investments and is on track with its net-zero operations (Scope 1 and 2), as well as its production targets (Scope 3).

RBC High Yield Fixed Income team

Approach

The RBC High Yield Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement mainly for information gathering purposes in its ESG integration process. As fixed income investors, engagement plays a limited role in the overall ESG integration process, compared to equity investors. Engagement activities, including on ESG, tend to occur around issuer roadshows and sell-side broker conferences, especially for new issues.

CASE STUDY: North American Document Products and Services Company

Objective:
Clarity on corporate governance.

Engagement:
The team had a video call with a senior member of the investment relations department at a North American document products and services company for the purpose of information gathering and suggested changes to dividend policy. The team discussed the various challenges facing the company. Specific to corporate governance, the team engaged with the company on its aggressive dividend policy, given weak performance and upcoming significant debt maturities. In addition, the company's Board of Directors had been under scrutiny for its handling of certain matters, including a class action lawsuit related to securities law violations. The team's concern about the effectiveness of the board's oversight of management policies and decisions was also discussed.

Outcome:
The team gained operational insight on each of the company's challenges. There was also an effort made to make the team's concerns about the company's aggressive dividend distribution policy and the board's oversight of management policies and decisions known.

RBC Developed Markets Sovereign Fixed Income team

Approach

The RBC Developed Markets Sovereign Fixed Income team is part of the RBC Global Fixed Income and Currencies team. As sovereign fixed income investors, the engagement opportunities available to the team differ from those available to equity and corporate credit investors. As a result, engagement tends to play a more limited role in the overall ESG integration process. The team may have opportunities to attend meetings and presentations between policymakers and investors. This allows the team to gather further information and evaluate the transparency and quality of policymakers' responses to material concerns. Typically, the question-and-answer portion of these meetings and presentations provide an opportunity to voice ESG concerns that otherwise may have been unaddressed.

RBC Emerging Markets Sovereign Fixed Income team

Approach

The RBC Emerging Markets Sovereign Fixed Income team, part of the RBC Global Fixed Income and Currencies team, uses engagement with sovereign issuers to a limited degree in its ESG integration process, due to the nature of the securities in which they are invested. However, the team engages on a limited basis for specific securities.

The team typically attends meetings and presentations between government-related policymakers and investors at least twice per year (i.e., IMF and World Bank (WB) spring and fall meetings). This allows the team to gather information and evaluate the transparency and quality of policymakers' responses to material ESG issues. Typically, the question-and-answer portion of these meetings and presentations provide an opportunity for investors to raise ESG issues that may not have been addressed.

CASE STUDY: European Sovereign

Objective:

Information gathering on governance, political elections, regional security, energy transition, physical climate risk, ESG-labelled bond issuance.

Engagement:

The team engaged with government officials and policymakers from a European country during an investor trip to the region. ESG-related risks are material to the investment thesis for this country. Governance is an important consideration when investing in this country due to a relatively poor track record of institutional checks and balances, which has resulted in unilateral decision making from top government officials. It was important to learn about the government's commitment to the recent reforms it had embarked on. In addition, the team engaged on topics related to physical climate risk and the energy transition. A recent earthquake devastated the country and required large-scale government spending and external funding to aid the recovery. Financial instruments such as Sustainability-Linked Bonds (SLBs), where an issuance is linked to specific ESG performance metrics, were discussed as potential financing vehicles to meet social objectives in the medium to long term.

Outcome:

Following a number of engagements with government officials, policymakers, and development banks, the team maintained exposure to the specific issuer's sovereign bonds in the portfolio. The team was able to improve its understanding of the government's commitment to its economic reform program, the impact of local elections, and exposure to climate risk. It also offered an opportunity to directly communicate the team's views on several issues with senior officials, including labelled debt issuance, historical concerns with the institutional framework, and other ESG-related topics.

RBC Canadian Governments Fixed Income team

Approach

The RBC Canadian Governments Fixed Income team is part of the RBC Global Fixed Income and Currencies team. In the developed government bond space, the engagement opportunities available to the investment team differ from those available to equity and corporate credit investors, as the issuers are the governments of developed markets. As a result, engagement plays a limited role in the overall ESG integration process. Engagement activities, including on ESG, tend to occur occasionally when issuers are soliciting feedback from investors (both formally and informally).

CASE STUDY: Canadian Provincial Government

Objective:
Understand the province's Sustainable Finance Roadmap.

Engagement:
The team participated in the discussion with a local trade body on the topic of a Canadian province's roadmap to sustainable finance. The provincial government announced the launch of its Sustainable Finance Roadmap in December 2022. In its preliminary version, the government focused on developing the skills to support a low-carbon economy, accelerating capital deployment for the transition, maintaining a social dialogue with all stakeholders for feedback, and facilitating effective market supervision in sustainable finance. Still early in its journey, this province has shown its commitment to sustainable finance and the team looks forward to additional details on the roadmap when finalized.

Outcome:
The team found the discussion provided helpful insights into challenges and opportunities that the province is encountering in its commitment to building a low-carbon economy. These insights are useful to have when engaging with other provinces in achieving their long-term sustainability goals.

RBC Alternative Investments team

Approach

The RBC Alternative Investments team will engage with companies in its portfolio, often discussing material ESG factors. The team has developed company-specific questions for engagement, which include governance and climate-related questions. Use of the questions is at the discretion of the analyst and/or portfolio manager. In most cases, the team is a smaller bond holder and is primarily gathering information. However, there have been instances where the team is a large, or even the largest shareholder, and was better positioned to provide input into the company's decision-making.

PH&N Fixed Income team

Approach

The PH&N Fixed Income team invests in Canadian fixed income securities and believes that engagement is an important component of its ESG analysis. ESG risks are discussed at issuer meetings and the team uses engagement to develop a comprehensive view of issuers' short-, medium-, and long-term strategies for managing ESG risks. The team also uses engagement to identify and understand any discrepancies between published ESG disclosures and discussions with the leadership team.

Finally, the PH&N Fixed Income team is involved in providing feedback and encouraging improvements to the quality of dealers' and issuers' sustainability frameworks, and in encouraging ESG-labelled new issuances.

CASE STUDY: North American Indigenous Organization

Objective:
Discuss an organization's potential involvement with a liquified natural gas project.

Engagement:
The team determined the North American Indigenous Organization's existing bond program had a strong reporting profile, but did not align with the International Capital Markets Association's (ICMA) labelled bond standards.[39] As part of the team's discussion, it was able to ask many questions about the rationale for and economic and social benefits of energy infrastructure ownership for Indigenous communities. The team also inquired on fundamental credit risks these types of assets would present, and the mitigants in place to address them. The team expressed its support for establishing clear and separate funding streams. For example, an ESG-labelled bond stream with a formal framework that supports issuance that may be suitable to investors who wish to avoid exposure to fossil fuels, and a more conventional stream that would fund transition energy investment or other forms of fossil fuel infrastructure projects.

Outcome:
The team will continue to engage with the organization as it looks to execute on its strategic vision.

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[39] ICMA serves as Secretariat to the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-Linked Bond Principles (SLBP) – collectively known as "the Principles," providing support while advising on governance and other issues.

REAL ASSETS

RBC GAM Private Markets Real Estate Investment team

Approach

As significant owners of real assets, the engagement opportunities available to the investment team are more direct than those available to equity investors. As a result of the asset-level ownership, opportunities for engagement play a consistently important role in the overall stewardship process.

Engagement can be initiated at any time, and this is regularly prompted throughout the year, facilitating consistent monitoring. These regular occurrences include:

1. Annual capital budget process for properties, which identifies key capital initiatives related to ESG.
2. Quarterly reports and co-owner meetings that regularly report on the status of capital projects.
3. Annual GRESB and SASB submissions that require detailed information.
4. Regular property level submissions for Leadership in Energy and Environmental Design (LEED), Building Owners and Managers Association, and Fitwell certifications.
5. The development of a net-zero action plan.

The investment team is able to make active decisions at the property level. For example, annual budgets (inclusive of ESG-related plans and expenditures) require approval, giving the investment team some scope to provide input with respect to potential changes on a regular basis.

CASE STUDY: Canadian Real Estate Fund

Objective:
Validating a green bond framework.

Engagement:
In October 2024, the team successfully issued its Canadian real estate fund's second unsecured debenture in the form of a green bond (bond issuance where the use of proceeds finances projects that meet pre-defined criteria) financing for C$250 million. This strategic move underscored the team's commitment to using the high-quality environmental standards of the properties in its portfolio to access financing in the debt capital markets. The capital raised through this green bond was allocated toward the purchase of three office buildings, each benefitting from the BOMA[40] Platinum/Gold and LEED[41] Platinum/Gold certifications. Prior to the issuance, the team updated the fund's green bond framework to help ensure it met ICMA's core Green Bond Principles.

Outcome:
The team sought and received a second-party opinion (an independent review of the selection criteria for the projects financed by green bonds), which validated the framework's alignment with the Green Bond Principles.

RBC GAM Private Markets Mortgage Investment team

Approach

The investment team's engagement opportunities on material ESG factors are generally with its origination partners, who in turn engage directly with the borrowers. Opportunities may arise where the team can engage directly with the borrower through direct meetings or during a site inspection. The team may also engage with its origination partners during the pre-investment phase where it has determined changes are required in order to proceed with financing. The RBC GAM Private Markets Mortgage Investment team has several contacts within the industry and often has the opportunity to engage with existing and prospective clients to share knowledge and perspectives on a number of ESG topics.

[40] BOMA BEST is an internationally recognized certification program and provides building management tools for sustainable and smart buildings.
[41] LEED is a green building rating system.

RBC GAM Private Markets Infrastructure Investment team

Approach

As this is a private investment model, active value creation and negotiation for appropriate governance rights are an important element of the investment program and for asserting alignment of interests and incentives across co-investment partners (shareholders), the boards of directors, and the management teams of each portfolio/investee company.

The investment team believes that accountability begins with transparency in reporting from the underlying investments' management teams. The investment team is committed to meeting rigorous internal reporting requirements, including the GRESB.

CASE STUDY: UK Telecommunications Tower Owner

Objective:
Understand the physical impacts of climate change.

Engagement:
The team engaged with a UK telecom tower owner and operator on the impacts of extreme weather events to its telecom tower infrastructure. The investment team noted that weather events can damage telecom towers or disrupt service, potentially resulting in significant impacts for emergency responders and customers who cannot communicate as a result, as well as potential legal liability. The team wanted to understand if the company had assessed the climate resilience of its network and if it had a business continuity management plan.

Outcome:
Through its discussion with co-investors and the company, there was a review of the full register of inherent risks that the company faced and the potential impacts if left unmanaged/unmitigated. Through this discussion, the team was able to confirm that the company had assessed the physical risks of climate change and extreme weather on its towers and confirmed it had a business continuity management plan.

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/ri.

UK Stewardship Code Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issues.

RI industry initiatives

We participate in initiatives that work to increase transparency, protect investors, and foster fair and efficient capital markets. We believe that engagement on regulatory and legal reform that is consistent with the best interests of our investments and portfolios may lead to more effective governance and/or management of material ESG factors, as well as broader, market-wide considerations.

As with our direct engagement activity (Principle 9), we participate in initiatives on ESG issues that we deem material to our investments. While any ESG factor may be material to an investment or portfolio, we believe certain systematic factors including governance, climate change and nature, and human rights are likely material to issuers across most sectors and geographies. For specific RI industry initiative opportunities, we may evaluate both the materiality of the ESG issue and our portfolios' exposure to the issue.

RI industry initiatives case studies[42]

RBC GAM is a member of several RI industry initiatives. Below, we provide some examples of RI industry initiatives we participated in during 2024 and highlight our role as part of the broader initiatives. A full list of RBC GAM's RI industry initiatives is available in Our Approach to RI, and our activities in 2024 are summarized in Principle 4.

Climate Action 100+ (CA100+) engagement with an integrated energy company	**Approach** The CA100+ is an investor-led initiative to ensure the world's largest corporate GHG emitters take appropriate action on climate change in order to mitigate financial risk and to maximize the long-term value of assets. Investors engage with portfolio companies to appropriately address these risks on behalf of their clients and beneficiaries. As an investor participant and signatory to Climate Action 100+ (CA100+), in 2024 we participated (as supporting investors) in engagement activities with four different issuers.
	RI industry initiative focus & activities The BlueBay Fixed Income team engaged with an integrated oil company over the course of 2024. The objective of the engagement was to better understand how the company is managing climate-related risks, specifically from a governance and emissions reduction target setting perspective, as well as ensuring quality disclosure on ESG matters more broadly. Over the course of the year, the investor group met with representatives of the company to discuss these and other matters.
	Outcome In 2024, the oil company published its Sustainability Plan, which included a range of decarbonization commitments such as GHG emission reduction targets, enhanced climate-related disclosures, greater transparency on its capital allocation plans, as well as setting out a methane management strategy. The investor group will be monitoring and further engaging with the company on its progress on its sustainability strategy climate goals, as well as its management of worker health & safety.

[42] In some cases, a specific RBC GAM affiliate may serve as signatory to or member of these initiatives, depending on factors including, but not limited to, the asset class, sub-asset class, or region relevant to the initiative.

Canadian Coalition for Good Governance (CCGG) engagement with an IT conglomerate	**Approach** As part of the CCGG's collective engagement program, we may provide input on engagements that CCGG undertakes on behalf of its investor members, including RBC GAM. In 2024, CCGG completed 28 collective engagements. RBC GAM provided comments for three and directly participated in two engagements.
	RI industry initiative focus & activities In one such example in 2024, the PH&N Canadian Equity team provided comments to CCGG on an upcoming CCGG engagement with a Canadian electric power utility focused on natural gas and renewables. This was the second such CCGG meeting with the company; the previous meeting took place in 2020. The investment team requested that CCGG inquire into a number of areas including the company's succession planning strategy in light of the recent departures of key executives, the role of the board in oversight of large projects, as well as how the board is involved in ensuring robust health & safety practices. These topics were included in the agenda for CCGG's engagement with the company, led by a number of representatives from the CCGG's board and staff.
	Outcome A number of items were discussed with the company, including all of those tabled by the PH&N Canadian Equity team. In terms of senior management turnover and succession planning, the company stated that a review conducted following the COVID-19 pandemic had indicated the need for new leadership and a strengthening of the knowledge and skills on the board. The company provided an update on its progress in the recruitment of key senior executives, but acknowledged it remains a work in progress. The company also provided an overview of the decision-making process for large projects, noting they had board-level expertise on project management and took a holistic approach to risk management. Health and safety matters were also discussed at the meeting in light of an incident that occurred in 2024 that resulted in several fatalities at one of the company's overseas operations. The company briefed CCGG members that the company's response to the incident was in line with its policies and procedures, and that senior executives visited the site and met with the local contractor. It explained the challenges of enforcing its policies in overseas countries. The engagement helped inform the investment team's view of the business.
Investor Policy Dialogue on Deforestation (IPDD) engagements with various sovereign-related stakeholders	**Approach** The IPDD aims to coordinate a public policy dialogue with authorities and monitor developments to assess exposure to financial risks arising from deforestation. As a supporting investor of the IPDD, we are active in a number of the workstreams focused on specific countries.
	RI industry initiative focus & activities The BlueBay Fixed Income team co-chairs the IPDD Management Committee and the Brazil workstream, and is a participant in the Indonesia workstream. During the course of 2024, the BlueBay Fixed Income team continued to participate across the different forums with the IPDD initiative.
	Outcome Within the Brazil workstream, dialogue was held with various stakeholders to better understand the nature of the deforestation-related policy and regulation of the new administration, as well as on specific initiatives such as the Amazon soy moratorium (where there has been renewed pushback from the agribusiness sector). While it was challenging to conduct engagements in 2024 because it was an election year in Indonesia, the investor group was still able to conduct some meetings with non-government related stakeholders. Other IPDD activities conducted in 2024 included monitoring and engaging on the European Union's Deforestation-free Products Regulation (EUDR), including issuing an Investor Statement in support of the regulation.

For further information on these and RBC GAM's additional stewardship activities, please refer to www.rbcgam.com/ri.

UK Stewardship Code Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalation of stewardship activities

We assess our stewardship activities through the lens of our portfolios' best interests. In each case, we consider the most effective way to address issues with investee issuers, and when it may be appropriate, to escalate our stewardship activities in order to contribute to the long-term sustainable growth of our investments.

The following describes three escalation methods that we may employ as part of our stewardship activities.[43]

Private dialogue

At RBC GAM, we have a strong preference for maintaining an open and private dialogue and engaging with our investee issuers to consider material factors, which may include ESG-related factors. We believe that this approach promotes strong relationships with issuers, enables us to raise our concerns and convey our views from an investor's perspective, and allows our investee issuers to address these concerns in the ways they deem best for their businesses. We engage in private dialogue and may seek out RI industry initiatives to engage with the issuer as a form of escalation.

Forms of escalation

- Engaging to inquire about an issuer's approach and policies for managing specific material issues.
- Engaging to request that the issuer improve disclosure on, create a strategy around, or implement enhanced practices to improve its management of material risks and/or opportunities.
- Participating in an RI industry initiative requesting that the issuer improve disclosure on, create a strategy around, or implement enhanced practices to improve its management of material risks and/or opportunities.

[43] The escalation methods described are non-exhaustive, and should not be interpreted to supersede escalation approaches that may be required under specific regulations, such as SFDR.

Proxy voting

We believe that exercising our voting rights is an effective way to consider issues that are material to our investments and can help protect and enhance the long-term value of the portfolios me manage. Depending on the ESG factor, proxy voting may be the first or most suitable mechanism to escalate our stewardship with an issuer. For example, for several governance factors, like executive compensation and board independence, the proxy voting circular is the first opportunity to assess the issue, which can then further be considered through engagement or other forms of escalation. In other cases, our teams may engage with an issuer first to better understand a material ESG issue and assess the issuer's approach to the issue through private dialogue, before casting a vote against management's recommendations.

Forms of escalation:

- Voting against management's recommendation on a proposal, including proposals on the election of certain directors.
- Updating our Proxy Voting Guidelines on material ESG issues to better reflect practices we believe can help enhance the long-term value of securities held.
- Filing a shareholder proposal to address the material ESG issue directly. We use this method sparingly.

Public statements

Where issuers have not sufficiently enhanced or implemented practices to manage material ESG risks, our efforts through private dialogue and/or proxy voting have been unsuccessful, and we believe this poses a material risk to our investments, we may consider other public avenues to encourage change. This may include issuing or supporting public statements that target specific markets and/or issuers. In these cases, we may take public action as part of RI industry initiatives. We use this method sparingly.

Forms of escalation

- Issue or become a signatory on a public statement requesting specific issuer actions related to the management of material ESG issues.

Escalation is an iterative process, and each of the methods we may employ is informed by the overall escalation objective. For example, information gathered through engagement may result in escalation through proxy voting, or lead to further engagement opportunities either directly or collaboratively. Similarly, a public statement may lead issuers to reach out to their investors to engage on a material ESG topic that the issuer had not previously been interested in addressing with investors.

Ultimately, at any stage of engagement with an issuer, our investment teams may choose to divest from the investment entirely. This may occur when the investment team does not believe that the relevant ESG issue is being appropriately managed, despite ongoing engagement and stewardship efforts, and determines that the issue materially affects the investment case overall. In addition, there may be circumstances where we determine escalation is not the best course of action, and a portfolio is better served through divestment. This could be because we believe the likelihood of a successful engagement is low or because we believe the resources required to escalate the issue would better serve the portfolio if allocated elsewhere. The management of and exposure to ESG risks and opportunities, and/or the outcomes of an engagement, generally are not the sole factor in an investment decision but can help inform the investment case. It is at the discretion of each investment team to decide whether to continue with an investment or to divest, in line with the best interests of the portfolio.

For more information about engagement objectives and specific considerations across asset classes and geographies, please see Principle 9. For more information on our collaborative initiatives, please see Principle 10.

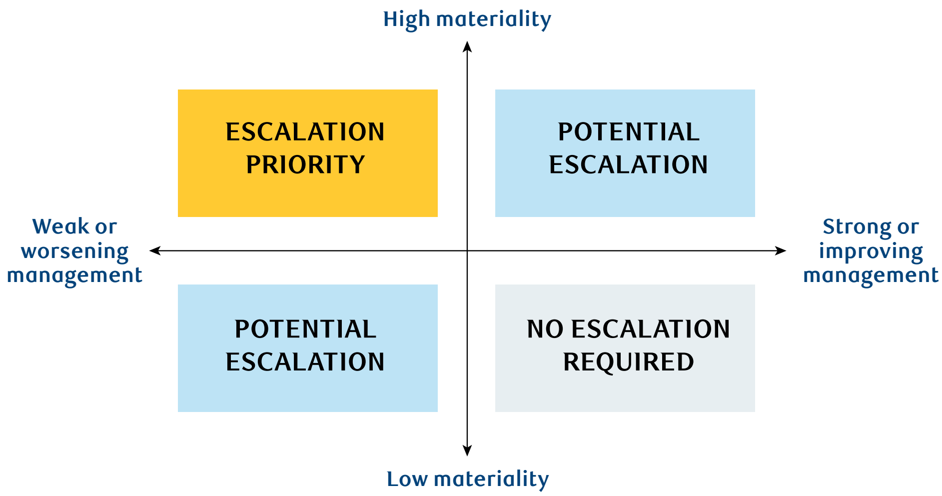
LIMITATIONS TO ESCALATION IN FIXED INCOME

Fixed income investors are not owners, and as such, have different mechanisms for interacting with issuers (e.g., limited access to proxy voting). In addition, seeking to engage a non-corporate issuer, such as a sovereign, is potentially more challenging than engaging with a company. Their primary stakeholder is the voting populace, not investors, and seeking change could be seen to be political interference or infringing on sovereignty. Therefore, the scale and pace of change is often slower than for corporates.

For more detail, refer to *Common characteristics of engagement within the fixed income asset class* in Principle 9.

Selecting and prioritizing issues for escalation

In determining the appropriate method and extent of escalation in our stewardship efforts with a particular holding, the primary considerations we use to prioritize our efforts are materiality and the issuer's performance in managing or mitigating the issue, as demonstrated in the following graphic:



1. **High Materiality | Weak or Worsening Management**: An escalation priority typically arises when an issuer is exposed to a highly material ESG factor and is not employing adequate measures to manage and address the risks and/or opportunities related to that factor. In this case, our investment teams may employ the escalation methods they deem most appropriate for conveying their views on the material ESG matter or may engage to gather additional insights to inform the investment case. Engagement and/or escalation objectives may be established using the team's direct investment and ESG research on the topic and drawing on established best practice frameworks. Investment teams may also collaborate with the RI team and/or gather insights from RI industry initiatives when escalating the matter.
2. **High Materiality | Strong or Improving Management**: Where an issuer is exposed to a highly material ESG factor, our investment teams monitor the issuer's management of, and exposure to, that factor as part of their ESG integration and investment monitoring processes, where applicable. When an issuer is employing robust practices and managing its exposure to the issue effectively, there is typically no need to escalate our stewardship activities. Rather, investment teams can continue to monitor the issuer's management of the factor for any material changes, and any potential engagement activities tend to focus on information gathering rather than escalation objectives.
3. **Low Materiality | Strong or Improving Management:** Where an issuer is exposed to an ESG factor that is less material, and the issuer has appropriate ESG policies and strategies in place, there is typically no need to escalate our stewardship activities with that issuer. Instead, our investment teams may monitor the issuer for any controversies, events, or changes that might make that ESG factor more material and warrant further investigation.
4. **Low Materiality | Weak or Worsening Management**: Where an issuer is exposed to an ESG factor that is less material, and the issuer does not have appropriate ESG policies and strategies in place, there is typically no need to escalate our stewardship activities. Rather, investment teams might monitor the issuer's exposure to ESG factors for changes that might make that ESG factor more material. They may also encourage the issuer to implement enhanced practices over the long term, aiming to reduce the likelihood of a potential future material ESG-related risk or controversy.

In addition to materiality and issuers' management of ESG factors, where there are multiple issuers, all with highly material ESG risks, our investment teams may prioritize escalation of efforts with the issuer that represents a larger investment (i.e., by % weight) in the portfolio. This is because positive action from a larger investment position is likely to have a greater effect on the long-term risk-adjusted returns of the portfolio, compared to changes in a smaller investment.

Teams may also choose to use less resource-intensive methods of escalation for smaller holdings or lower-priority items and use higher intensity methods for large holdings and higher-priority matters. For example, we may send a letter to a smaller holding, but, with respect to a larger holding, meet directly with the board or management team.

For more information on how materiality is determined across asset classes and geographies, please refer to Principle 7.

Escalation case studies

On the next page, we highlight a selection of case studies where we escalated our stewardship activities to express our views to boards of directors and management teams, and to encourage progress on material ESG issues.

Please note that although we do include a description of outcomes in our case studies, it can be difficult to attribute RBC GAM's engagement and escalation activities with a direct outcome. Such challenges include the fact that other investors may also be engaging with the issuer; issuers may not want to formally attribute an outcome or change to our engagement; and the timeframe between the engagement taking place and the outcome can be considerable, particularly in emerging markets.

<table>
<tr><td rowspan="3">Addressing director attendance through proxy voting</td><td>Approach
We believe directors should commit sufficient time to carry out their duties in an effective manner. Although attendance at board and committee meetings is not the only measure of director performance, we believe poor attendance makes it difficult for directors to carry out their responsibilities effectively.

We will generally not support the election of existing directors if they have attended less than 75% of the board and committee meetings in aggregate, unless there are extenuating circumstances. In order to effectively evaluate director attendance, investors require consistent disclosures. We believe companies should disclose a summary of the frequency of key committee meetings and attendance for those meetings. Since 2020, we have voted against the election of corporate governance committee members on a case-by-case basis. We implemented a case-by-case basis as we noticed that the lack of disclosure typically occurred with respect to small-cap and newly public companies, and we often wanted to give the boards of these companies flexibility and time to adjust.</td></tr>
<tr><td>Escalation
In 2024, we updated our Proxy Voting Guidelines to clarify our implementation and approach on the disclosure of director attendance. Specifically, we state that we generally will not support the election of the corporate governance committee if records for board attendance are not disclosed. Although these scenarios are still evaluated on a case-by-case basis, we determined that companies that did not disclose director attendance:
▪ typically did not improve their disclosures, year-over-year; and
▪ had other governance issues contributing to our decision to vote against the election of governance committee members.

Given these considerations, and the fact that our Proxy Voting Guidelines had been communicating our approach for multiple years, we updated the language of our voting guideline to more clearly communicate our expectations and likely voting approach on this issue.</td></tr>
<tr><td>Outcome
In 2024, RBC GAM voted against the recommendations of management on 1,915 proposals globally on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 1,915 proposals, we voted against the election of the nominee at least in part due to a lack of director attendance disclosures on 11 (~ 0.5 % of votes against directors) proposals. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.).</td></tr>
</table>

Escalation on independence	**Approach** We believe that the board should be composed of a substantial majority of independent directors. Given the role of the board, we believe sufficient independence from management can better position the company to deliver sustainable value creation for shareholders. Similarly, we believe that the chair of the board should generally be independent as well. We believe that an independent chair is one of the primary mechanisms by which board independence is maintained. If the chair is not independent, we would generally expect the appointment of a lead independent director. In our Proxy Voting Guidelines, we state that we will generally not support the election of directors who are non-independent, with the exception of the current CEO, if the proposed board is composed of less than a two-thirds majority of independent directors. Regarding the independence of the board chair, we state that we generally will not support a non-independent chair unless two conditions are met: 1. An independent director is appointed as a lead director. 2. An independent corporate governance committee exists.
	Escalation In the case of a North American industrials company, RBC GAM identified concerns with the independence of the board and its chair. RBC GAM has been a long-term shareholder of the company and has historically engaged with the company regarding ongoing independence concerns. Specifically, less than two-thirds of the board were independent, the chair was not independent, and the board had not appointed a lead independent director. We historically supported the election of certain non-independent directors to the board, as we determined their removal from the board would be detrimental to shareholder value. In particular, we continued to support the election of the combined chair and CEO, as we believed they were important to the success of the company. In 2024, after engaging with the company, we determined votes against non-independent directors, not including the CEO, were warranted. Overall, we determined that enhanced independence would strengthen the board, bringing in diverse perspectives and challenging incumbent directors, including the non-independent chair. The company was appreciative of our engagement and was receptive of our suggestion to appoint a lead independent director to enhance overall governance.
	Outcome & Updates We will continue to monitor the board's independence and potential use of a lead independent director. No changes to the board's structure were made after the company's 2024 annual meeting of shareholders and we expect the next opportunity for engagement to take place ahead of the company's 2025 annual meeting. Although the company continues to have a non-independent chair, we continue to believe that the company's combined chair and CEO is important to the company's success.

Approach

We believe that executive compensation should be performance based and should align the interests of executives with the long-term interests of shareholders. It should be designed in a way to attract and retain executives that create long-term, sustainable shareholder value.

In our view, compensation plans often use overly complex structures. Overly complex compensation plans make the proper assessment of pay and performance alignment difficult and, in some instances, this complexity facilitates misalignment between pay and performance. As a result, we generally support simplified pay practices with the following core features:

- Competitive base salary.
- Annual incentives tied to performance on short-term material strategic goals.
- Long-term, time-vesting restricted share units (RSUs), where the vesting period extends over five or more years.

For compensation plans using this structure, companies are also encouraged to implement stock holding requirements, depending on the vesting schedule. In our view, this simplified structure incentivizes management to create long-term, sustainable shareholder value, reduces the burden on compensation committees, and promotes a clearer understanding of compensation opportunities and alignment between those opportunities and company performance.

We have also seen some industries utilize significant front-loaded awards in executive compensation packages. Although this can simplify the compensation package, we may vote against these compensation plans if the front-loaded awards lack robust performance conditions aligning management and shareholder interests for the duration of the plan's life and beyond.

Escalation on the approach to executive compensation

Escalation

In the case of a North American technology company, RBC GAM identified concerns with a compensation package granted to the company's CEO. The compensation package used significant front-loaded awards with features that we believed could misalign the interests of the management with those of shareholders, over the long term. After engaging with the company, we ultimately decided to vote against the say-on-pay proposal. However, given that we were supportive of the company's intention to simplify its compensation structure while also retaining a high-quality executive, we followed up with a letter to the board. Our letter outlined our position on the proposed say-on-pay resolution, detailing specific issues and advocating for compensation practices that are more closely aligned with shareholder interests.

The concerns highlighted included:

- The plan's use of significant front-loaded awards that could promote short-term interests at the expense of long-term shareholder value creation.
- The need for transparent disclosure of performance criteria and their fulfillment to help ensure accountability and informed shareholder assessment.
- The plan's potential for discretionary additional grants to executives, which could erode shareholder trust in the compensation committee's governance.

Outcome

We expect further engagement with the company on its compensation approach going forward. Given the nature of the compensation package – specifically, the company's use of a front-loaded award – communicating our views via proxy vote may not be effective. This is because future say-on-pay resolutions will focus on the company's approach to executive compensation in the years after the front-loaded award has been granted. In addition, the front-loaded awards were largely achieved within the first year of the grant, due to the company's strong stock price performance. As a result, we will continue to monitor the company's governance and compensation structures, engaging with the board as necessary to communicate our views on compensation plan characteristics that we believe support long-term shareholder value creation.

Addressing unequal voting rights through proxy voting

Approach

When a firm has dual-class shares, some classes of shares are given multiple votes per share, which results in unequal voting rights between classes of shares. The principle of "one share, one vote" is contravened by this structure. Unequal voting right structures can allow minority shareholders to make decisions that may not be supported by most shareholders.

We believe dual-class share arrangements can negatively impact minority investors by giving insiders who are both shareholders and managers voting power that is disproportionate to their equity participation. In our view, this can facilitate controlling shareholders making decisions that are not in the best interests of minority shareholders, such as pursuing or rejecting certain transactions. Furthermore, it can lead to governance risks and oversight risks and pave the way for poor alignment between pay and performance. Nonetheless, such control is sometimes desired by investors since it can enable management and business owners to carry out their plans more efficiently (particularly in the initial years of a newly public firm). The key argument in such scenarios is that management's ability to act with more efficiency outweighs the governance risks associated with such an arrangement.

We believe that there are exceptions where it may be in shareholders' best interests to continue operating under this unequal voting rights structure. For instance, there may be cases where we believe a founder or group of founders should continue to have full control of the company to keep creating shareholder value. That said, we believe these cases should generally be supported by shareholder protections. We also recognize that when investing in an issuer with unequal voting rights, this is a known factor to the investor, which can be incorporated into the analysis.

Escalation

The governance issue of unequal voting rights is a longstanding one, and in 2023, we updated our Proxy Voting Guidelines to reflect our general voting approach for issuers with unequal voting right structures. Specifically, where an issuer that has historically used an unequal voting rights structure does not have adequate protections for minority shareholders, we may vote against members of the corporate governance committee. At a minimum, we believe that adequate protections for minority shareholders should include either:

- a regular binding vote for holders of subordinate voting shares on whether the capital structure should be maintained; or
- an adequate sunset clause to eliminate the unequal voting right structure.

Finally, in order to increase transparency and give minority shareholders and the board a better understanding of how the various classes of shares were voted, we strongly encourage companies that maintain a share structure with unequal voting rights to disclose voting results broken down by each class of shares.

Outcome

In 2023, RBC GAM voted against the recommendations of management on 2,450 proposals on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 2,450 proposals, we voted against the election of the nominee at least in part due to our unequal voting right structure voting guideline on 226 (~9.3%) proposals. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.).

Update

In 2024, we updated our Proxy Voting Guidelines to elaborate on our assessment of sunset clauses. After implementing our 2023 voting guideline update, we reviewed the application of term limits for unequal voting right structures. Through this review, we determined that there was no market consensus on a set term for a sunset provision (e.g., seven years, 10 years, etc.). We also determined that the quality and suitability of dilution-based, transfer, or triggering-event sunset terms varied.[44] As a result, we determined a case-by-case approach was warranted when evaluating sunset clauses and updated our Guidelines to clarify this point.

In 2024, RBC GAM voted against the recommendations of management on 1,915 proposals on the election of directors to the board (excluding proxy contests, bundled director elections, and shareholder proposals with director nominees). Of these 1,915 proposals, we voted against the election of the nominee at least in part due to our unequal voting right structure voting guideline on 246 (~13% of votes against directors) proposals. An increase from 2023 where 9.3% of all votes against directors were instances at least in part due to unequal voting rights. Please note that RBC GAM may have voted against a nominee's election for multiple reasons (e.g., gender diversity, board independence, etc.).

These examples comprise a small selection of the escalation activities we may complete in any given year. For further information on these and RBC GAM's additional stewardship activities, please refer to www.rbcgam.com/ri.

[44] Sunset provisions are a mechanism under which a multi-class share structure converts to a single-class share structure if certain criteria are met (e.g., time elapsed, ownership thresholds, etc.). *Time-based* sunsets are triggered after a preset time period, *dilution-based* sunsets are triggered when the controlling shareholder's voting power falls below a specified threshold, transfer sunsets are triggered upon the transfer of special voting shares to non-founder shareholders, and triggering-event sunsets are triggered by specific events, such as the founder's death or incapacitation.

UK Stewardship Code Principle 12

Signatories actively exercise their rights and responsibilities.

Exercising our proxy voting rights

RBC GAM strives to act in the best interests of the portfolios that it manages. This includes the manner in which we exercise the voting rights attached to the securities in the portfolios we manage. We exercise the voting rights of the portfolios we manage in what we believe are their best interests and with a view to enhancing the long-term value of the securities held.

Our proxy voting policy

Our proxy voting activities are governed by our Proxy Voting Guidelines and our global Proxy Voting Policy, which set out procedures for administering our votes, escalating any voting issues, and identifying and managing conflicts of interest. We vote our shares independently and in accordance with our Proxy Voting Guidelines.

Proxy voting is managed centrally by the RI team for all RBC GAM portfolios, except for those managed by third-party sub-advisors, certain portfolios of the BlueBay Fixed Income team, and select institutional client accounts, as requested by them.

We generally do not vote on ballots that employ shareblocking, where trading is restricted from the time a proxy is voted until after the annual meeting.[45] This generally accounts for less than 1% of our total votes annually. We may choose to vote at a meeting where shareblocking is used if we determine it is in the portfolio's best interest to do so, and/or a particular proposal is material enough to outweigh liquidity concerns.

When our funds participate in securities lending, we generally recall all loaned securities in North America for the purpose of proxy voting. Outside of North America, we generally recall loaned securities when we hold 1% or greater of the outstanding voting shares or when we believe there is a significant voting issue for which RBC GAM's position could impact the result. We do not borrow shares in order to exercise additional proxy voting rights. RBC GAM mutual funds in the U.S. and our RBC Funds (LUX) funds do not participate in securities lending.

In instances where we sold our position but are eligible to vote at a meeting based on our position on the record date, our proxy voting process still applies and we will vote according to our Proxy Voting Guidelines. In many cases, we may reinvest in the company, or votes may signal stronger governance practices, so applying our same approach to each vote is consistent with our principal duty to maximize investment returns for our clients without undue risk of loss.

Our proxy voting guidelines

Our Proxy Voting Guidelines are our custom voting guidelines that describe the principles we support and how we generally vote on issues raised on proxy voting ballots.

They have been developed using our internal expertise and resources, with reference to guidance by leading independent research firms. The guidelines are published on our website for the information of clients and to assist issuers in understanding our approach to proxy voting. The Proxy Voting Guidelines are applied for issuers in Canada, the U.S., the UK, Ireland, Australia, and New Zealand. In all other markets, RBC GAM utilizes the local benchmark voting policy of ISS.

[45] Shareblocking is the practice in some markets in which a shareholder is prevented from buying or selling stock in a company from the time the shareholder's votes were submitted until the meeting date (this period can be over two weeks).

Our Proxy Voting Guidelines are comprehensive and set out detailed guidance on topics including:

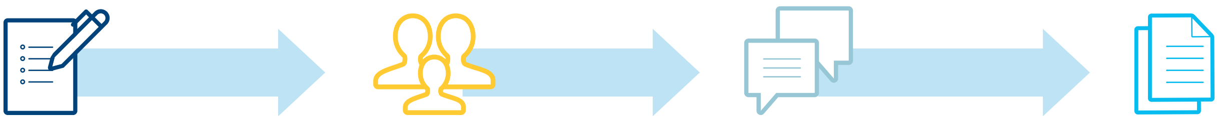
- the structure and independence of the board of directors;
- executive management and director compensation;
- takeover protection and transactions;
- shareholder rights; and
- environmental and social issues.

We review and update our Proxy Voting Guidelines on an ongoing basis, and at least annually, to reflect our views on corporate governance practices that we believe are in the best interests of our portfolios. Changes are reviewed by our Proxy Voting Committee and approved by our CIO (described in Principle 8). We may highlight certain updates to our Proxy Voting Guidelines in quarterly institutional client reporting and through insight pieces.

Our proxy voting process

The exercise of voting rights requires an ongoing assessment of an issuer's management and directors, its performance, its practices on material issues, and the impact a vote may have on the value of the company's securities. Our proxy voting process is administered by our RI team, with input from investment teams, research firms, and the Proxy Voting Committee, as required.

Although voting opportunities are more limited for fixed income portfolios, they can and do occur. It is most common for convertible and high yield bond investments, where an allocation may take on formal voting rights, or the risk is greater of potential debt restructuring measures.



We implement our custom Proxy Voting Guidelines and engage ISS to recommend a voting position for each applicable proposal, based on our guidelines.[46]

Our Responsible Investment (RI) team reviews proposals, drawing on the expertise of the investment teams and analysis from leading research firms, where appropriate, to make our voting decisions.

Certain exceptional votes are addressed by our internal Proxy Voting Committee. This committee also implements processes to manage conflicts of interest and protect the independence of our voting decisions.

We make our proxy voting records publicly available on the RBC GAM website in accordance with applicable regulations. We also provide commentary on our proxy voting activities in our stewardship disclosures, and provide additional reporting to clients, by request. Barring exceptional circumstances, we do not publicly disclose in advance how we intend to vote on specific proposals.

The RI team is responsible for administering proxy voting in accordance with the Proxy Voting Guidelines and supporting investment teams in proxy voting decisions with research and analysis. Proposals are reviewed before our vote is finalized. Where necessary, we rely on research on management performance and ESG issues from portfolio manager and analyst due diligence, information provided by leading independent research firms such as ISS and Glass Lewis & Co., and involvement in organizations such as CCGG and ICGN. We have retained ISS to provide proxy voting administration services on our behalf. ISS's custom research team makes recommendations on how proposals should be voted, in accordance with our Proxy Voting Guidelines, where applicable. However, the RI and investment teams evaluate these recommendations prior to finalizing our vote in order to determine if the vote would be in the best interests of our portfolios. Although the research and voting recommendations of both ISS and Glass Lewis & Co. may be considered as part of the voting decision process, ultimately, we make all voting decisions independently.

The Proxy Voting Guidelines may not specifically address each voting issue that may be encountered. In these cases, RBC GAM will review ISS' local benchmark voting policies and decide accordingly. We engage with ISS in advance of our annual review and update of the Proxy Voting Guidelines, as well as throughout the year to identify instances where our intentions align with ISS's benchmark voting recommendations in order to facilitate proper implementation. Further, our review of voting recommendations is completed regardless of whether the recommendation is based on our custom Proxy Voting Guidelines or ISS's local benchmark voting policy. We work closely with ISS in aiming to ensure that the quality and accuracy of voting recommendations and their effective execution are maintained. Details on the monitoring process for our proxy voting providers are included in Principle 8.

[46] The RI team manages proxy voting for RBC GAM, excluding portfolios managed by third-party sub-advisors, certain portfolios of the BlueBay Fixed Income team, and select institutional client accounts, as requested by them. The proxy voting process is only applicable for proxy voting executed by the RI team.

From time to time, instances may arise where RBC GAM believes it is in the best interests of our portfolios to deviate from the proxy voting recommendations of ISS based on the unique circumstances of the issuer or where our proxy voting may give rise to an actual, potential, or perceived conflict of interest. In these circumstances, the RI team will consult with investment teams and escalate the matter to the Proxy Voting Committee. Committee members include the Head of the RI team and the CIO, among others. The CIO retains ultimate voting decision authority.

Every year we track the number of shares voted during the year and the percentage of ballots voted, as well as cases where we voted against management or deviated from our guideline recommendations.

Finally, for RBC GAM Inc. and RBC Funds (LUX) portfolios, we conduct a quarterly reconciliation process to determine if the number of votes submitted at issuer meetings match internal records of securities held in affected accounts and portfolios. Where issues are identified, they are escalated to ISS and/or the appropriate custodian, as required. This process complements ISS's reconciliation process, which reviews ballots received against a record of our equity retail fund holdings.

Exercising voting rights across funds, assets, and geographies

Our Proxy Voting Guidelines are applied in Canada, the U.S., the UK, Ireland, Australia, and New Zealand. In all other markets, RBC GAM applies ISS's local benchmark voting policies. RBC GAM reviews meetings and proposals, aiming to ensure votes are submitted in what we believe are the best interests of our portfolios. RBC GAM can override the recommended votes of ISS's research teams in the event that we believe the recommended votes would not be in the best interests of our portfolios.

The insights and expertise of our investment teams are particularly valuable in markets where the Proxy Voting Guidelines do not apply. Individual markets have differing corporate governance norms and are at various stages of development in corporate governance practices. As our issuer, geography, and industry experts, our investment teams may identify market- and issuer-specific nuances in aiming to ensure that our votes are fully informed and cast in with the aim of enhancing the long-term value of the securities held.

Engagements with issuers can also play an important role in these markets. As long-term investors, our engagement efforts focus on building long-lasting relationships with management teams. These relationships provide us with the avenue to gain context and rationales around specific voting items and material ESG issues, informing both voting and investment decisions. More information on our engagement approach is provided in Principle 9.

Voting activity is generally limited in fixed income portfolios and, when it does occur, largely addresses transactional items. Regardless of asset class, transactional voting items are escalated to investment teams. As a result, investment teams also provide direct input on voting items within fixed income portfolios.

RBC GAM generally votes in the same way across all internally managed portfolios, in accordance with our Proxy Voting Guidelines. This function is centralized as we believe that the principles we apply in proxy voting are in the best interests of our portfolios, with a view to enhancing their long-term value. In the event that portfolio managers of separate portfolios wish to vote differently on a proposal, the vote decision is escalated to the CIO for approval.

Monitoring our voting rights

We retain the services of ISS to execute our proxy votes once we make our voting decisions. RBC GAM works directly with ISS and our custodians to set up accounts for voting in ISS's online voting platform, ProxyExchange. RBC GAM also uploads our equity retail funds' holding details to ProxyExchange to facilitate reconciliation between our holdings and the number of shares listed on ballots received by ISS. The RI team is able to view votable share positions and relevant shareholders' meeting information directly in the ProxyExchange platform.

As a regular item for institutional client onboarding onto the RBC GAM investment platform, we determine whether our clients would like RBC GAM to manage their segregated portfolios' proxy voting rights. The RI team then initiates account onboarding onto the ProxyExchange platform.

Finally, we conduct a quarterly reconciliation analysis to reconcile between the number of votes submitted at issuer meetings through the ISS platform and our internal records of securities held in those accounts and portfolios. Issues identified through the reconciliation process are then escalated to be resolved.

In 2021, we began working toward more robust voting reconciliation through ISS's operations team. Daily holdings feeds were set up in 2021 for equity retail funds offered by RBC GAM Inc. and RBC Funds (LUX), consistent with the existing practice for RBC GAM-US-advised mutual funds. In 2022, a thorough review was completed to identify missing account data and conduct account maintenance to improve the reconciliation process. This initiative was complemented by education sessions for the RI team with custodians, ballot providers, and ISS, in order to enhance our understanding of the mechanics of the proxy voting system. In 2024, we revisited the existing holdings feed for RBC GAM-US-advised mutual funds. The process was updated to align with the updated process put in place for RBC GAM Inc. equity retail funds and RBC Funds (LUX).

RBC GAM stays up to date on our power of attorney filings in jurisdictions where they are required for us to vote. We have encountered challenges in this area in the past, as nuances at the sub-custodian level can sometimes lead to vote rejections. In 2021, we initiated detailed conversations with our main custodian and its power of attorney service provider to better understand where issues emerged. We leveraged these conversations in 2022 by streamlining our annual power of attorney review and update process. We further refined this process in 2024, conducting a portfolio mapping exercise to identify those most likely to vote in key power of attorney markets. This process included an expansion to fixed income portfolios more likely to vote by proxy in a given year, such as high yield and convertible bond strategies.

Exceptions to our Proxy Voting Approach

As indicated, RBC GAM generally votes the same way across all internally managed portfolios, in accordance with our Proxy Voting Guidelines. We believe that our Proxy Voting Guidelines represent sound practices in corporate governance and RI. Our approach to active stewardship, including a thoughtful approach to proxy voting, is designed to maximize risk-adjusted, long-term returns for our portfolios, without undue risk of loss.

However, there are cases in which the proxy voting for specific portfolios is not centrally managed and for which there is a different voting approach:

- **Segregated client accounts**: Some institutional clients may wish to implement more customized proxy voting policies or use the proxy voting policy of a third party. In such instances, we generally recommend that clients manage their own voting, but will evaluate such agreements on a case-by-case basis.
- **Distinct voting circumstances:** In certain cases, ISS does not provide a custom voting recommendations on a proposal. These cases include, but are not limited to:
  - Transaction-related proposals such as the approval of merger and acquisition transactions.
  - Proposals at the meetings of private companies.
  - Proposals at certain bondholder meetings.

  These proposals are evaluated on a case-by-case basis and referred to the applicable portfolio managers.

  In some cases, RBC GAM may receive physical proxy voting ballots or may need to instruct votes directly through custodians or other parties involved in voting administration. This is most common for certain fixed income investment strategies. Typically, ISS will be unable to provide custom voting recommendations in these cases, and the RI team will work directly with applicable portfolios managers and the Proxy Voting Committee (if required) to reach a final voting decision.

  For certain fixed income portfolios, votes are submitted in Broadridge's ProxyEdge platform by an RBC GAM Corporate Actions team. In these cases, ISS's custom voting recommendations are not available directly in the ProxyEdge platform. The RI team works directly with the Corporate Actions team, applicable portfolio managers, and the Proxy Voting Committee (if required) to reach a final voting decision. Refer to *Proxy Voting Process for BlueBay Fixed Income Team Portfolios* for more information.
- **Third-party sub-advisors**: Certain portfolios are externally managed for RBC GAM by third-party sub-advisors. In these cases, proxy voting is conducted in accordance with the proxy voting policies and procedures of the sub-advisor.

Proxy voting records

The proxy voting records of our retail funds are publicly available on our regional websites and are updated periodically, in accordance with applicable regulations. Our proxy voting records can be searched by fund or company name. In addition, we provide an overview of our proxy voting activities, including our proxy voting rationale in some instances, in certain reports and thought pieces. We may also provide additional customized proxy voting reporting to our institutional clients on a regular or ad-hoc basis, as requested, depending on the client and investment team.

In order to increase transparency and visibility to our clients, we also report on the rationales behind key resolutions, such as where we voted against the recommendations of management for internally managed funds offered by RBC GAM Inc. In our 2021 and 2022 Commitment to the UK Stewardship Code, we noted an intention to work towards expanding our vote rationale disclosure into other markets. In 2024, we expanded the vote disclosures for portfolios managed by RBC GAM-UK. The expansion enhanced vote disclosures to include vote rationales, with enhanced search functionality for users.

In exceptional circumstances, where we believe it is appropriate and in our portfolios' best interests to do so, we will disclose in advance how we intend to vote on a particular issue and provide the rationale for our voting decision.

For pooled funds that are externally managed for RBC GAM Inc., third-party sub-advisors submit voting records to RBC GAM on a quarterly basis for public disclosure.

PROXY VOTING PROCESS FOR BLUEBAY FIXED INCOME TEAM PORTFOLIOS

Consistent with our ongoing efforts to optimize our business operations, in 2023 we initiated the transition of proxy voting for BlueBay Fixed Income team portfolios from Broadridge's ProxyEdge platform to ISS's ProxyExchange platform. In 2024, we continued our efforts to transition proxy voting for BlueBay Fixed Income team portfolios. However, for certain BlueBay Fixed Income team portfolios, votes were still submitted in Broadridge's ProxyEdge platform by the RBC BlueBay Corporate Actions team. In these cases, ISS's custom voting recommendations were not available directly in the ProxyEdge platform. However, the RI team was still generally able to incorporate ISS's custom voting recommendations if the security was held in other portfolios. In cases where this was not possible, the RI and RBC BlueBay Corporate Actions team worked directly with the investment team(s) and Proxy Voting Committee (if required) to reach a final voting decision. Going forward, we expect a small number of institutional portfolios will remain on the ProxyEdge platform, due to legacy agreements.

Although voting in fixed income portfolios is limited, the transition to the ProxyExchange platform facilitates the following:

- Integration into the RI team and RBC GAM's overall proxy voting management process.
  - For instance, automated proxy voting reports generated via the ProxyExchange platform could now be delivered for BlueBay Fixed Income team portfolio holdings
- Incorporation of the Proxy Voting Guidelines, ISS's proxy voting research, and custom recommendations from the ISS custom research team.
- Consistency in proxy voting reporting and analysis.

Proxy voting results

The table below summarizes how we voted across markets in 2024. The proxy voting statistics in the table include voting for all of RBC GAM with the exception of externally managed sub-advised portfolios, and certain institutional accounts.

	Canada	U.S.	Rest of World	Overall
Proposals - total	3,034	12,238	13,305	28,577
Votes WITH management (of total)[47]	2,753	10,002	12,117	24,872
Votes AGAINST management (of total)[48]	281	2,236	1,188	3,705
% of votes AGAINST management (of total)	**9.26%**	**18.27%**	**8.93%**	**12.96%**

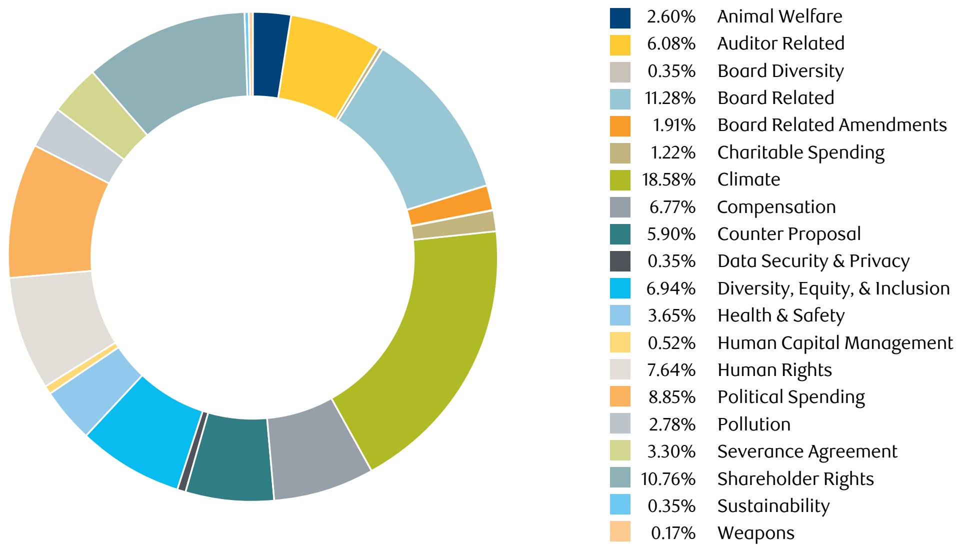
The remainder of this section covers proxy voting statistics for all of RBC GAM with the exception of RBC Indigo, externally managed sub-advised portfolios, and certain institutional accounts.

[47] With management: a vote that is the same as the management recommendation for an agenda item.
[48] Against management: a vote that is different to the management recommendation for an agenda item.

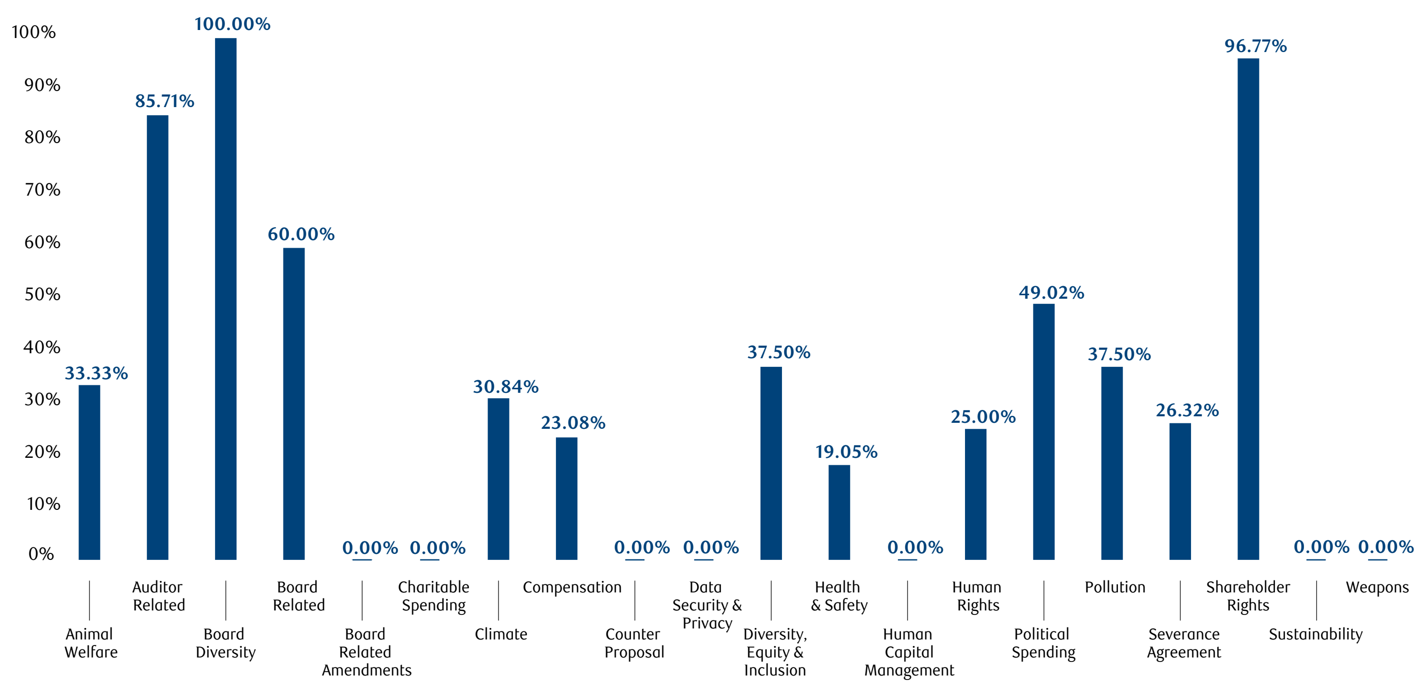
Shareholder proposals

Shareholder proposals represent a small number of the overall ballot items but are an important mechanism for shareholders to request that an investee company take action on material and trending issues. For context, out of the total 28,577 management and shareholder proposals on which we voted in 2024, 886 were shareholder proposals. The following charts provide an overview of the types of shareholder proposals we reviewed and supported this proxy voting season.

Shareholder proposals by category (% of votes)[49]



Shareholder proposals supported by category (% FOR)



[49] Proposal categories are defined by ISS. Proposal categories were selected by RBC GAM and reflect those we determined to be of most interest. Total shareholder proposals in sample is 576. Values may not add to 100% due to rounding.

Overview of our voting record by issue

Below is a snapshot of our voting record on a set of important and frequent management and shareholder proposals. Management typically recommends voting against shareholder proposals. As a result, a vote against management in a shareholder proposal typically equates to a vote in favour of the proposal.

	Canada			U.S.			Rest of World			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
Management proposals												
Ratify Auditors	55	0	0%	1,125	5	0.40%	320	4	1.30%	1,500	9	0.60%
Elect director	2,068	194	9.40%	7,079	1,622	18.60%	3,379	325	8.80%	12,526	2,141	14.60%
Approve remuneration of directors and/or committee members	0	0	0%	0	0	0%	450	20	4.40%	450	20	4.40%
Management climate-related proposal	0	0	0%	0	0	0%	3	1	25%	3	1	25%
Approve remuneration policy	0	0	0.00%	0	0	0.00%	169	37	21.90%	169	37	21.90%
Advisory vote to ratify named executive officers' compensation	176	5	2.80%	957	86	8.20%	309	64	17.20%	1,442	155	9.71%
Shareholder proposals												
Require independent board chairman	0	1	100%	2	27	93.10%	0	0	0%	2	28	93.33%
Racial equity and/or civil rights audit	0	0	0%	2	1	33.30%	0	0	0%	2	1	33.30%
Report on equal employment opportunity	1	0	0.00%	2	9	81.80%	0	0	0.00%	3	9	75.00%
Political lobbying disclosure	0	0	0.00%	9	10	52.60%	0	0	0.00%	9	10	52.63%
Gender pay gap	0	0	0.00%	10	3	23.10%	2	0	0.00%	12	3	20.00%
Human rights risk assessment[50]	2	0	0.00%	9	4	30.80%	1	0	0.00%	12	4	25.00%
Report on climate change and GHG emissions	5	0	0.00%	11	17	60.70%	4	1	20.00%	20	18	47.37%
Environmental & social counterproposal	0	0	0.00%	34	0	0.00%	0	0	0.00%	34	0	0.00%

[50] One proposal was supported by management in the "Human Rights Risk Assessment" item category. RBC GAM voted WITH management on the proposal.

Proxy voting case studies

We share our proxy voting results and observations in institutional reporting, insights on our website, and publications such as our Commitment to the UK Stewardship Code. We also publish our proxy voting rationales as part of our proxy voting records disclosure in Canada and for RBC GAM-UK. These rationales provide transparency into why we voted the way we did at meetings where our vote opposed management's recommendation, and for extraordinary or contentious proposals, whether we chose to support them or not. Below, we highlight a few examples of notable votes in 2024.

Nature-related risks and opportunities	**Approach** The Taskforce on Nature-related Financial Disclosures (TNFD) defines nature-related risks as potential threats posed to an organization, linked to their (and wider society's) dependencies and impacts on nature. These can derive from physical, transition, and systemic risks. There are also nature-related opportunities, which are activities that avoid, reduce, mitigate, or manage nature-related risks, or that actively work to reverse the loss of nature, including through restoration, regeneration of nature, and implementation of nature-based solutions. The TNFD provides a framework and sector-specific guidance for the disclosure of nature-related dependencies, impacts, risks, and opportunities. As issuers continue to advance their understanding of the materiality of nature-related factors to their businesses, we believe they should consider related disclosures that take into consideration the TNFD recommendations and guidance. We believe that proper consideration and management of nature-related risks and opportunities can reduce potential risks to shareholders and contribute to long-term, sustainable value creation for shareholders. We will evaluate nature-related shareholder proposals on a case-by-case basis. We will generally support proposals requesting that a company disclose the organization's governance around nature-related risks and opportunities.
	Proxy vote In 2024, we updated our Proxy Voting Guidelines to include our perspectives on nature-related risks. Following the success of COP15 (Conference of the Parties, the main decision-making body of the United Nations Framework Convention on Climate Change) in 2022 and the launch of the TNFD recommendations, we believe that greater focus will be applied on the biodiversity and nature-related risks faced by companies and related disclosure. We believe there is a benefit to investors having more information on the governance of nature-related risks and opportunities, where material.
	Outcome Consistent with this approach, in 2024, we supported 2 of 6, or 33%, of nature-related shareholder proposals.

Proxy Contest	**Approach** We believe that in contested elections, it is important to understand what both management and the dissident nominees are proposing and the implications it will have on performance going forward. We review dissident shareholder proposals for director nominees on a case-by-case basis to determine which we believe will result in the best performance for the company. We may consider the following factors: ▪ The performance of current management and the company's long-term performance. ▪ The competing strategic plans of the dissident and incumbent slate to enhance long-term corporate value, including the impact on key constituents. ▪ The relative qualifications of the nominees and, where relevant, the company's current executive and board compensation practices. ▪ Board independence, performance, equity ownership, and responsiveness to shareholder concerns.
	Proxy vote A proxy contest was launched at a U.S. health care company, where the dissident sought to replace two management nominees on the board, including the company's CEO and founder. If successful, the dissident would occupy the majority of board seats, though it did offer to reinstate the CEO and founder to an expanded board if they lost their board seat in the proxy contest. RBC GAM supported the election of one dissident nominee and one management nominee at a previous contested election at the company. However, we determined that the election of the dissident nominee to the board had not meaningfully benefitted shareholders since that vote. Leading up to the 2024 proxy contest, we were concerned that the dissident lacked a credible plan on how it would run and grow the company. Further, we had significant concerns that the departure of the company's CEO would be detrimental to shareholders. RBC GAM had historically voted against the company's compensation package and expressed some governance concerns. However, we viewed the CEO as critical to the company's success and as driver of shareholder value.
	Outcome Given our concerns regarding the continued trajectory of the company and the importance of the CEO to the company's success, we decided to support management's nominees in the contested election. The dissident was successful in electing its two nominees to the board and the company's CEO later resigned.

Director elections and compensation at a Canadian e-commerce company	**Approach** RBC GAM believes that all compensation plans should attempt to align the interests of management and directors with the long-term interests of shareholders. Compensation plans should be sufficiently generous to attract and retain talent with the skillset required to promote the long-term success of the company, but compensation should also be commensurate with performance. We will generally support executive compensation plans that are fair, and oppose those that misalign pay and performance or are structured in a way that may risk doing so in the future.
	Proxy vote Since 2019, we have been voting against the compensation plan of a Canadian e-commerce company due to pay-for-performance misalignment and overall compensation plan structure. In addition to the underperforming total shareholder return and declining operational performance, we identified various problematic pay practices. The CEO's compensation continues to consist of only a large stock option grant, and compensation for other non-executive officers also does not include any performance-based compensation. Additionally, equity-based compensation was only subject to time-vesting conditions, and a general lack of risk mitigating practices, as well as insufficient disclosure around severance payments to the former CFO. Overall, our Proxy Voting Guidelines state that we would be comfortable with time-based long-term incentive plans with a simplified overall plan structure if the company had offered restricted share units as opposed to limiting compensation to stock options, and if the company had at minimum, a five-year vesting period. In this case, the vesting period was only three years.
	Outcome As a result of this analysis, the substantial level of opposition to the company's pay practices, and the compensation committee's lack of responsiveness to ongoing executive compensation concerns, RBC GAM escalated our vote in 2023. We not only voted against the say-on-pay proposal, but also voted against the election of the members of the Compensation Committee. The say-on-pay proposal received roughly 77% support at the 2023 annual meeting, while the Compensation Committee members received approximately 93%, 83% and 97% support, individually.
	Outcome When reviewing the say-on-pay vote at the 2024 Annual General Meeting, we did not see an improvement in compensation practices. Consistent with our approach in 2023, we once again voted against both the say-on-pay proposal and the election of the members of the Compensation Committee. The say-on-pay proposal received roughly 69% support at the 2024 annual meeting (down from 77% in 2023), while the Compensation Committee members received approximately 89%, 76% and 92% support, individually.

These examples comprise a small selection of the proxy voting activities we may complete in any given year. For further information on these and RBC GAM's additional proxy voting activities, please refer to www.rbcgam.com/ri.

Executing our rights in fixed income

As engaged, responsible fixed income investors, we execute our rights according to the specific instrument in which we are investing. In all cases, we evaluate what would be in the best interests of our portfolios, and act accordingly.

Examples of our approach include:

Seeking amendments to terms and conditions in indentures or contracts	Where it is appropriate and relevant to do so, we may seek amendments either during the new issue deal formation stage or during our holding period. This may be done through a direct request to the issuer or by providing feedback during a bond roadshow or book-building process. During the new issue stage, our investment teams may have opportunities to seek the inclusion of certain terms and conditions, while during the holding period stage, circumstances may arise where we respond to proposals from issuers to amend terms.
Seeking access to information provided in trust deeds	This is most relevant to our investments in project bonds and private placements. We exercise our rights as bondholders to receive project updates and financial statements, which may not be publicly available in the case of private issuers or special purpose entities. Our approach is to establish this right as soon as we make an investment and request that updates be delivered automatically, so that our investment teams can track project updates. In some circumstances, we may also initiate a special update from an issuer.
Impairment rights	Most of our work in impairment rights takes place during the due diligence stage. Our approach is to analyze scenarios around event of default, cures, and associated step-in rights.
Reviewing prospectus and transaction documents	This takes place before our investment teams invest in any deal. Teams review prospectus documents in great detail to understand covenants, terms, structure, and risk. The approach taken varies depending on the complexity of the structure and bond offering. In many cases, our investment teams may have limited ability to provide input into changing terms of potential deals. Therefore, reviewing documents in great detail is important, as our teams will not buy the debt issuance if there are undesirable terms or if they do not believe it is adequately priced. If there is sufficient pushback from investors, this approach can lead to a wider issuance spread or a change in terms.

Fixed Income Case Studies

Due diligence on deals / transactions	**Background** In early 2024, the BlueBay Fixed Income team acquired a UK company from administration in a transaction that was agreed in advance of the administration day (commonly known as a "pre-pack" transaction). Significant due diligence had been conducted as part of the decision to purchase the business. As part of efforts to turn the business around, the team took measures over the course of 2024 to address corporate governance and employee matters.
	Analysis The team reviewed and implemented steps to address board membership. Specifically, the former CEO and CFO were rehired to run and manage the business. However, due to various corporate legal reasons, an interim director with relevant skills (a former restructuring partner in a law firm) was also appointed. Changes had also been made on the human resources side (for instance, on remuneration to attract and retain staff). Former management members who were not onboard with the turnaround plan had been let go without damage to the business, and others had been hired.
	Outcome The business was inevitably negatively impacted by the insolvency process. The impact had diminished over time and management had started to turn the business around from Q4 2024 and this continued in early 2025. Governance at the company was strengthened, although there remain ongoing efforts to build out the board more fully. There is also scope to further improve the quality of financial management and control.
Debt restructuring negotiations	**Background** The BlueBay Fixed Income team held bonds in an emerging markets sovereign issuer since it defaulted in 2020. The team was part of the creditors group for the largest group of hard currency bondholders that is looking to work on a debt restructuring deal once an appropriate government had been established. The appointment of a new government in the country had been delayed because of various geopolitical developments, with progress largely stalled until 2024. However, there is now positive momentum, and the team and creditors group are focused on advancing banking sector reform in the country.
	Analysis The team, and the market more generally, had anticipated that steps to establish a new government would start in 2022, but elections did not go as planned, with continued delays and uncertainties regarding the formation of the new government. The political deadlock made it challenging for the team and the creditors group to effectively engage with the sovereign. However, in the interim, the team was able to engage with other relevant stakeholders such as multi-lateral development institutions. In 2024, there was a change in the geopolitical situation in the country such that momentum started to build to advance the political process. Interactions by the team and the creditors groups with various government-related officials, their advisers, and various creditors were possible again. An area of high priority identified by the team and others was the need for a reform programme for the broader banking sector, this being considered critical to improving and restoring investor confidence in the country's financial system.
	Outcome The potential for debt restructuring negotiations to restart was restored during 2024. The team will continue to engage bilaterally and as part of the creditors group with the sovereign issuer and other relevant stakeholders on the need to implement banking sector reform as a key measure. To date, the relevant stakeholders have been receptive to this suggestion.

RBC Global Asset Management

For more information about our approach, visit rbcgam.com/ri.

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