

RBC Global Asset Management

# Japan's Stewardship Code

RBC Global Asset Management | 2023



# About this report

In this 2023 Commitment to the Japan Stewardship Code (the Report), references to RBC Global Asset Management (RBC GAM), including “we”, “our”, and “the firm” includes the following affiliates: BlueBay Asset Management LLP (BBAM LLP), RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management (UK) Limited (RBC GAM-UK), and RBC Global Asset Management (Asia) Limited (RBC GAM Asia), which are separate, but affiliated subsidiaries of Royal Bank of Canada (RBC). On April 1st, 2023, RBC GAM consolidated the majority of investment activities of the two regulated legal entities in the United Kingdom (UK), RBC GAM-UK and BBAM LLP, into RBC GAM-UK. Specifically, the majority of BBAM LLP’s fixed income assets were consolidated into RBC GAM-UK. BBAM LLP retains the Collateralized Loan Obligation (CLO) assets where BBAM LLP is the manager.

References in this Report to the BlueBay Fixed Income team include our fixed income teams at RBC GAM-UK and RBC GAM-US. RBC BlueBay Asset Management is a brand name used to represent RBC GAM outside of North America. References to RBC BlueBay include fixed income and equity teams at RBC GAM-UK and RBC GAM Asia.

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

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

## Reporting period

All data and examples in this Report reflect activities undertaken during the 2023 calendar year (January 1, 2023 – December 31, 2023), unless otherwise noted.



# Principle 1

Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.

## RBC GAM's Approach to Responsible Investment

At RBC GAM, Responsible Investment is incorporated in our values, in our approach to investment management, and in our strategic objectives. [Our Approach to Responsible Investment](#) 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 funds they manage. As stewards of our clients' assets, we are committed to ensuring that the issuers in which we invest act in alignment with the long-term interests of our clients.

### At RBC GAM, 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

- Issuers that manage their material Environmental, Social & Governance (“ESG”) risks and opportunities effectively are more likely to outperform on a risk-adjusted basis, over the long term
- Engagement through private dialogue is often effective at facilitating change
- Initiatives that increase transparency and foster fair and efficient markets benefit all investors and clients globally
- Collaboration with like-minded investors may give us greater influence on issues that are material to our investments

Our Approach to Responsible Investment is comprised of three pillars that act on these beliefs. The specific actions we take under each pillar seeks to maximize investment returns for our clients without undue risk of loss within the limits described in each investment mandate.



### ESG integration

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



### Active stewardship

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 collaborate with other like-minded investors, where applicable.



### Client-driven solutions and reporting

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



**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. Our ESG integration approach is investment-led. This means we integrate material ESG factors with an aim to identify potential risks and opportunities and improve long-term, risk-adjusted returns. Our approach focuses on materiality and aims for continuous improvement and innovation. Each year, we document the ESG integration tools and processes used by investment teams and evaluate their alignment with RBC GAM's overall beliefs and strategy. As part of this process, areas for improvement may be identified in order to enhance teams' ESG integration approaches, as required. We believe this review and continuous improvement -enables effective stewardship, and ultimately adds value to our portfolios and clients. These processes are described in more detail under Principle 3.

**Active stewardship** means that we convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, where applicable, and collaboration with other like-minded investors. As stewards of our clients' assets, we are committed to ensuring that the issuers in which we invest act in alignment with the long-term interests of our clients. We engage on topics deemed material for the specific investments or portfolios, including ESG issues such as board structure, executive compensation, diversity and inclusion, and climate change, where applicable. Finally, we use engagement to further understand how issuers are addressing their material ESG risks and opportunities. We also conduct our proxy voting independently, in accordance with the [RBC GAM Proxy Voting Guidelines](#) (Proxy Voting Guidelines), which clarify the principles we support and how we vote on particular ESG issues in accordance with the best interests of our portfolios and clients. Results from our proxy voting and engagement activities are regularly shared with clients, and our Proxy Voting Guidelines are updated on an annual basis to help ensure that we continue to be effective in our stewardship.

Details on our engagements and custom Proxy Voting Guidelines are discussed further under Principle 5.

**Client-driven solutions and reporting** means that we align our solutions with client demand and provide transparent and meaningful reporting. Transparency and accountability are key to maintaining meaningful relationships with our clients and delivering on our fiduciary duty. Therefore, we tailor our reporting to clients based on what is most meaningful, across asset classes and regions. As our clients' needs evolve, we are continuously improving our reporting and product solutions to meet those needs. For example, in 2023, we devoted significant resources to the continued development of ESG-related reporting required by regional regulations. This includes required reporting under the European Union's Sustainable Finance Disclosure Regulation (SFDR) <sup>1</sup> and the UK Financial Conduct Authority ESG Sourcebook.<sup>2</sup> By setting out how financial market participants have to disclose sustainability information, these regulations aim to help those investors who seek to put their money into companies and projects supporting sustainability objectives make informed choices.

Our stewardship reporting capabilities are detailed under Principle 6.

#### **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 approved and assured 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 assurance. For example, RBC's Internal Audit team initiates internal audits of RBC GAM's RI and stewardship activities as part of regional audit activities, on a rotating schedule. All of our RI and stewardship policies are within scope of a potential internal audit in any given year.

In general, policies that relate directly to our RI and stewardship 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 global Compliance teams.

<sup>1</sup>[Sustainability-related disclosure in the financial services sector - European Commission \(europa.eu\)](#)

<sup>2</sup>[PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers | FCA](#)

Policy	Description and updates	Level of assurance
<b>Approach to Responsible Investment</b>	<p>Our Approach to Responsible Investment 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.</p> <p>The RI team reviews and updates Our Approach to Responsible Investment on a regular basis to reflect current activities and best practices. Updates to the policy are reviewed by the RBC GAM Leadership Committee and Global Compliance, and are approved by the CIO.</p> <p>In 2023, we published an update to <a href="#">Our Approach to Responsible Investment</a> to better reflect best practices in RI and the processes applied internally.</p>	<b>Internal audit</b>
<b>Approach to Climate Change<sup>3</sup></b>	<p>Our Approach to Climate Change is the policy that governs how we address material climate-related risks and opportunities in our investment approach. It is structured according to the three pillars of Our Approach to Responsible Investment.</p> <p>The RI team reviews and updates our Approach to Climate Change on a regular basis to reflect current activities and best practices. Updates to the policy are reviewed by the RBC GAM Leadership Committee and global Compliance teams, and are approved by the CIO.</p> <p>In 2023, we published an update to <a href="#">Our Approach to Climate Change</a> to better reflect best practices in RI and the processes applied internally.</p>	<b>Internal audit</b>
<b>Proxy Voting Policies</b>	<p>RBC GAM's regional proxy voting policies specify the internal processes that govern RBC GAM's proxy voting activities across the regions in which we operate.</p> <p>The RI team proposes updates to the proxy voting policies when there is a change in the internal processes, governance, or service providers involved in proxy voting. Updates are reviewed by the global Compliance teams, the appropriate independent review body (e.g., the IRC in Canada), and are approved by the CIO, where required.</p>	<b>Internal Audit</b>
<b>Proxy Voting Guidelines</b>	<p>The <a href="#">Proxy Voting Guidelines</a> 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.</p> <p>The RI team proposes updates to the Proxy Voting Guidelines on an annual basis, with input from investment teams throughout the year. Proposed updates are based on new issues that arise during proxy voting season and on evolving views on ESG issues, with the objective of ensuring that voting is aligned with clients' best interests. Updates are reviewed by the Proxy Voting Committee and are approved by the CIO.</p> <p>In 2023, updates to the Proxy Voting Guidelines included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ Generally voting against members of the Governance Committee at issuers using unequal voting right structures that do not maintain certain shareholder protections.</li> <li>▪ Clarifying our approach to voting against director elections where we identify concerning pay programs for Executive Chairs.</li> <li>▪ Refining our approach to voting on equity-based compensation plans where we identify stock option terms that may not be appropriate for the issuer.</li> </ul>	<b>Internal audit</b>

<sup>3</sup>Our Approach to Climate Change was consolidated into RBC GAM's Approach to Responsible Investment in September 2024.

Policy	Description and updates	Level of assurance
<b>Firm-wide investment exclusions</b>	<p>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:</p> <ul style="list-style-type: none"> <li>▪ Anti-Personnel Land Mines Convention</li> <li>▪ Biological and Toxin Weapons Convention</li> <li>▪ Convention on Cluster Munitions</li> <li>▪ The Chemical Weapons Convention</li> </ul> <p>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 the manufacture and production of anti-personnel land mines, cluster munitions, biological weapons, or chemical weapons. These exclusions are applicable for portfolios where RBC GAM controls the investment policy, excluding certain passive investment strategies. 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 updated monthly.</p> <p>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 affiliate(s) will not invest in securities that fall within the sanctions.</p>	<b>Internal audit</b>
<b>Conflicts of Interest Policies</b>	<p>Our Conflicts of Interest Policies establish the requirements for RBC GAM to maintain compliance with all applicable conflicts of interest securities laws and regulations for the jurisdictions in which we operate.</p> <p>The global Compliance teams maintain each RBC GAM affiliate's respective Conflicts of Interest Policy and keep a register of material conflicts of interest and procedures for each policy. RBC GAM affiliates' conflicts of interest policies are approved by their appropriate Chief Compliance Officers.</p> <p>Principle 3 provides more information on our Conflicts of Interest Policies.</p>	<b>Internal audit</b>

For more information on the assurance of our stewardship policies, please see Principle 7.



## Principle 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

### Our governance structure

RBC GAM is a global asset manager, comprised of the following regional affiliated entities: RBC GAM Inc., RBC GAM-US, RBC GAM-UK, BBAM LLP<sup>4</sup> and RBC Global Asset Management (Asia) Limited.

Each RBC GAM affiliate maintains investment, legal, and client service expertise that pertains directly to its respective markets. The affiliates follow all 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 oversees the performance of all RBC GAM affiliates. The CEOs of all affiliates, 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 affiliates. 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 affiliates. Global Compliance oversees 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 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.

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 RBC GAM 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 helps ensure that all of RBC GAM's businesses have the same vision, values, and culture, and are advancing the same strategic priorities.

<sup>4</sup>As of April 1, 2023, BBAM LLP consolidated the majority of its fixed income assets into RBC GAM-UK.

## Governance of RI at RBC GAM

Our Approach to Responsible Investment is the formal policy document that governs the firm's RI and stewardship activities. Changes to this policy are reviewed by the RBC GAM Leadership Committee and ultimately approved by the CIO.

The policy applies firm-wide, and the governance structure of the specific activities encompassed by the policy is summarized in the following chart.



\*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, 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 RBC GAM 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 Responsible Investment. As such, our RI team members' individual compensation is directly related to RBC GAM's RI and stewardship activities. Our investment teams are regularly evaluated on their teams' ESG integration processes, including as one component of their annual variable compensation.

Specific executive management oversight responsibilities include:

- The CEO sets the strategic direction of RBC GAM and oversees the firm's performance of all strategic initiatives and Approach to Responsible Investment. The CIO and the COO report to the RBC GAM CEO.
- The CIO oversees the investment strategies, policies, and performance across all affiliates. The heads of all investment teams and the RI team report to the CIO.
- The COO oversees all operational strategies, policies, risks, and initiatives across all affiliates.
- The Head of RI is responsible for all RI activities across RBC GAM, and for the implementation of these strategies by RBC GAM's centralized RI team.
- The heads of global investment teams are responsible for the establishment and implementation of ESG integration processes for applicable strategies.



- 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 is provided by the COO, the Head of RI, and members of the Investment Risk, Investment Policy, Compliance, and Legal teams.<sup>5</sup>

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

### Responsible Investment (RI) team

The RI team is comprised of 17 dedicated full-time employees who sit within the investment platform. RI team members have a mix of investment, ESG, risk management, data engineering, and legal expertise. Team members' individual compensation is directly related to RBC GAM's RI and stewardship activities.

In 2023, we consolidated the activities of our two regulated legal entities in the United Kingdom (UK), RBC GAM-UK and BBAM LLP into RBC GAM-UK. We believe the scale achieved as a result of the business consolidation will help support our objectives and deliver a positive client experience. Our legacy Corporate Governance & Responsible Investment and BlueBay ESG teams have worked together for a number of years, helping to ensure consistency in our RI policies. As part of our efforts to optimize our business operations, and to further our progress toward our target operating model, we have merged the teams to create one global RI team. This has enabled us to share expertise across platforms, help ensure that we are effectively meeting our evolving regulatory requirements in this space, and efficiently provide our clients with comprehensive ESG information and reporting.

The Head of RI reports directly to the CIO and sits on a number of executive committees, including the RBC GAM Leadership Committee and the RBC Climate Steering Committee, which leads RBC's climate strategy and its execution across key businesses and functions.

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

- Developing cohesive RI strategies and policies for Leadership Committee approval, including Our Approach to Responsible Investment.
- 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.
- 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 funds, in accordance with the Proxy Voting Guidelines.<sup>6</sup>
- The RI team reviews each vote individually and seeks input from investment teams on specific issues so that voting reflects the best interests of our clients in both systemic and issuer-specific matters.
- Participating in and leading collaborative initiatives on ESG-related issues with like-minded investors and national or international organizations/coalitions, where appropriate. The RI team also supports and participates in direct and collaborative engagements by liaising with investee companies and investment teams, where appropriate
- 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.

<sup>5</sup>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 includes 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.

<sup>6</sup>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.

## 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 over 150 portfolio managers with an average of 21 years of industry experience, supported by over 90 analysts with an average of 14 years of industry experience. Of these, 50% are Chartered Financial Analysts (CFAs), in addition to those that are working towards their CFA designation.<sup>7</sup>

Specific RI responsibilities of investment teams include:

- 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 internal ESG and climate risk 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 the frequency and outcomes of 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.

For more information on RBC GAM's continued efforts to expand internal subject matter expertise on material ESG topics, please see Principle 7.

## Our conflicts of interest policies

As investment managers, we have a fiduciary duty to act in the best interests of our clients. As stewards of our clients' assets, it is important that we put clients' interests first and that all clients and unitholders are treated fairly, helping to ensure that no client or group of clients is given preferential treatment. This applies to all aspects of our operations and investment management, including our stewardship activities like proxy voting and engagement.

We apply robust policies and procedures to prevent and/or appropriately manage conflicts of interest. Our conflicts of interest policies establish the standards that must be followed by RBC GAM employees to help ensure compliance with all 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 which states that decisions made by employees must 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 more specific 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:** Each of RBC GAM's regional affiliates maintains a Conflicts of Interest Policy, which covers both firm-wide expectations, as well as specific regulatory requirements for each operating unit. These policies address the regulatory requirements the affiliates must 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 include more specific 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 will disclose a summary of its conflicts of interest policies and practices to institutional 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 conflicts of interest policies 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;

<sup>7</sup>As at Dec 31, 2023.

- RBC GAM or an employee is influenced to put their interests ahead of those of its 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 all 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 will 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 all 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 our conflicts of interest policies, RBC GAM Inc. maintains a register of all conflicts of interest. This register is comprised of 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.

All RBC GAM employees are required to comply with the conflicts of interest policies that apply to the firm and their respective RBC GAM affiliate(s). All employees undergo regular training on these policies. Training begins the week employees first join the company as part of the onboarding process and continues at least annually thereafter. Several policies require quarterly or more frequent employee action to help ensure 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

If an actual or potential conflict of interest arises that is not yet covered in the conflicts of interest register, it must be escalated, and all related activities in connection with the potential conflict must 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 has communicated

RBC GAM also has regional, independent committees 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 following case studies provide examples of actual and potential 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 conflicts of interest policies 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 all proxy voting in accordance with applicable proxy voting policies, 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 a client or fund 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 strategies, as we believe the principles we apply in proxy voting are in the best interests of clients and unitholders invested in the portfolio issuers, with a view to enhancing long-term value of the portfolios. 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 themselves and the exercise of the proxy voting rights, that member will be recused 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 all decisions concerning the exercise of proxy voting rights in the best interests of our clients. The CIO is ultimately responsible to the CEO for the manner in which the proxy voting rights are exercised.

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

Conflict name	Description	Conflict type
<p><b>Fair treatment in proxy voting</b></p>	<p><b>Context</b> RBC GAM must vote proxies in its role as a fiduciary with an obligation to act in the best interests of all funds and clients. RBC GAM may have a conflict between its interests in retaining clients and earning fees and the interests of its clients to be treated fairly if RBC GAM is asked to vote proxies on the basis of 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 that is contrary to the Proxy Voting Guidelines</p> <p><b>Mitigating policies &amp; procedures</b> Proxy voting procedures are implemented 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, are the only teams with access to RBC GAM’s proxy voting platform.</p> <p>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.</p> <p>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 all decisions concerning the exercise of proxy voting rights in the best interests of our clients. The CIO is ultimately responsible to the CEO for the manner in which the proxy voting rights are exercised.</p>	<p><b>Potential</b></p>



Conflict name	Description	Conflict type
<b>Voting parent company shares</b>	<p><b>Context</b> RBC GAM is the asset management division of RBC. RBC is a prominent issuer in Canada, and 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.</p> <p><b>Mitigating policies &amp; procedures</b> RBC GAM has instituted procedures to help ensure that RBC proxies are voted in accordance with the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the funds that hold these securities, and free from any influence by RBC or any other issuer. Specifically, proxy voting for RBC securities held in RBC GAM Inc. prospectus-qualified funds in Canada are escalated to the Independent Review Committee (IRC) for its review and recommendation. The IRC must consider the best interests of the unitholders of the funds 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 deciding and exercising the vote, aligned with the IRC's recommendation.</p> <p>Information on votes cast in 2023 is available in our voting record disclosure on our regional websites in accordance with applicable regulations.</p>	<b>Potential</b>
<b>Voting shares of our Strategic Alliance partner, BlackRock</b>	<p><b>Context</b> 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.<sup>8</sup></p> <p><b>Mitigating policies &amp; procedures</b> To address this conflict, when RBC GAM exercises its voting rights at BlackRock Inc.'s annual general meeting, the investment teams are recused 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 clients.</p> <p>Information on votes cast in 2023 is available in our voting record disclosure on our regional websites, in accordance with applicable regulations.</p>	<b>Potential</b>
<b>Sub-advisors' proxy voting on behalf of RBC GAM</b>	<p><b>Context</b> 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:</p> <p><b>Mitigating policies &amp; procedures</b> 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:</p> <ul style="list-style-type: none"> <li>▪ were made free from influence by the related-party issuer and without taking into account any consideration relevant to the related party issuer;</li> <li>▪ represent the business judgment of the sub-advisor's portfolio manager assigned to the fund, uninfluenced by considerations other than the best interests of the fund;</li> <li>▪ were in compliance with the sub-advisor's policies and procedures; and</li> <li>▪ achieve a fair and reasonable result for the fund.</li> </ul>	<b>Potential</b>

<sup>8</sup>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-ishes>.

Conflict name	Description	Conflict type
Public statements related to proxy voting on a particular security	<p><b>Context</b> 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 have 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.</p> <p><b>Mitigating policies &amp; procedures</b> Portfolio managers must 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 must not engage in communications that would trigger the requirement for RBC GAM to prepare proxy circulars.</p>	Potential

## Engagement

As noted above, our conflicts of interest policies 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 solely on what we determine is in our clients' best interests and are aligned with the mandates of the portfolios we manage on their behalf. Any attempts to influence our engagement priorities or activities must 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	<p><b>Context</b> RBC GAM employees could obtain access to material non-public information. 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.</p> <p>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 behavior from market participants.</p> <p><b>Mitigating policies &amp; procedures</b> RBC GAM maintains market abuse policies, including policies for each region in which it operates, which set out the rules for those jurisdictions and establish procedures to be followed in the event that someone authorized to make investment decisions receives material non-public information. Procedures are undertaken to lock down the particular 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. The policies also provide specific guidance to the investment teams for meetings with issuers.</p>	Potential

Conflict name	Description	Conflict type
<p><b>Personal relationships affecting potential engagement</b></p>	<p><b>Context</b> 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.</p> <p>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 and RBC GAM clients.</p> <p><b>Mitigating policies &amp; procedures</b> The RBC Code of Conduct requires all employees to consider and identify any 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.</p> <p>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 is required to 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.</p>	<p>Potential</p>
<p><b>Outside activities affecting potential engagement</b></p>	<p><b>Context</b> 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 his or her responsibilities at RBC GAM and his or her 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.</p> <p><b>Mitigating policies &amp; procedures</b> Outside business activities must 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 all employees.</p> <p>In the case of a potential engagement, the employee would be asked to recuse themselves from any activities related to engagement.</p>	<p>Potential</p>
<p><b>Communications about and participation in shareholder initiatives</b></p>	<p><b>Context</b> Shareholder activism initiatives may add long-term shareholder value to clients and funds. However, potential conflicts of interest must also be considered before acting. For example, RBC GAM’s participation in an ill-founded shareholder initiative may have implications for the affairs and reputation of RBC GAM’s clients as well as the affairs and reputation of RBC GAM and RBC. Potential conflicts of interests may arise when the interests of the shareholder initiative or the interests of the employee(s) participating in the shareholder initiative conflict with the interests of RBC GAM, its portfolios, and/or its clients.</p> <p><b>Mitigating policies &amp; procedures</b> The CIO has full discretion to determine whether RBC GAM should participate in a shareholder initiative. To help ensure that the implications of a proposed shareholder initiative are fully considered and addressed, the CIO may inform the CEO before RBC GAM initiates or participates in any significant shareholder initiative. In the case of a potential conflict of interest issue with respect to a shareholder initiative and RBC GAM mutual funds, it may be determined that the matter must first be escalated and referred to the appropriate regional independent oversight committee for review and recommendation.</p>	<p>Potential</p>



## Principle 3

Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

### ESG factors are investment factors

At RBC GAM, investment teams consider material ESG factors when making investment-related decisions within the portfolios that they manage, for applicable types of investments. We believe that issuers that manage their material ESG risks and opportunities effectively are more likely to outperform on a risk-adjusted basis, over the long term.

Our investment teams have their own processes for integrating material ESG factors and for determining materiality, drawing from tools like the SASB materiality matrix, internal research and resources, speaking with industry experts, and sell-side and external research.

Examples of how our teams may determine materiality in asset classes include:

- **Equities:** Prioritize ESG factors that could impact companies' long-term value by impacting revenue growth, operating costs, and/or companies' reputation among customers and suppliers.
- **Corporate fixed income:** Prioritize ESG factors that could impact the company's ability to repay its debt or that would affect the company's cash flow, reputation, or other factors.
- **Government fixed income:** Prioritize ESG factors that could impact the issuer's ability to repay its debt or the issuer's reputation among debt investors/lenders. Political risk and corruption tend to be among the most material factors affecting sovereign issuers.
- **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 visibility of underlying collateral. For example, with regard to CLOs, ESG factors may be assessed at both the manager level and the underlying collateral pool, whereas for asset-backed securities and mortgage-backed securities, ESG factors may be assessed at the originator, servicer and underlying collateral level. 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, & infrastructure:** Prioritize ESG factors that could present a direct physical risk to the real assets that underlie these investments, or that could affect the revenues or costs for operating assets. Physical climate change risks are among the most material for these investments. ESG factors that affect profitability from tenants may also be material in some cases.

As noted above, in addition to sector and industry, the materiality of ESG factors may depend on the location of an issuer and the regions in which they operate. For example, issues related to human rights, supply chain management, and corruption are more prevalent in emerging and developing economies than developed markets.



Finally, materiality may also differ depending on asset type. For example, ESG matters can be less material for sub-asset classes like money markets, asset-backed securities, and cash, while they may be more material for the asset classes mentioned above. In particular, we believe that issuers with good corporate governance practices are better able to focus on long-term, sustainable growth; pose less risk for equity investors due to proper alignment of management and shareholder interests; are more likely to issue fixed income instruments with higher credit quality and lower credit risk; and are more likely to effectively manage the issuer's exposure to material environmental and social factors.

### **Our approach to ESG integration**

As stewards of our clients' assets, we are committed to ensuring that our stewardship activities are in the best interests of our clients and in line with their goals and expectations. In executing on our commitment to integrate material ESG factors into our investment processes, we apply several overarching principles. 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 the ESG integration tools and resources to their investment methodologies. The ESG integration activities undertaken by each team reflect the best interests of our clients and the time horizon of our investment strategies.

- **Focuses on materiality**

Our investment teams focus on those ESG factors that they have determined may impact the value of the investment. The extent to which an ESG factor is considered material depends on several items. For corporate issuers this can include the issuers' 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, availability of and dependence on natural resources, and potential regional issues, among other factors, 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 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, an internal ESG network where our investment teams share perspectives on ESG topics, and a monthly internal newsletter on new developments in RI.

We also engage a number of external ESG research and data providers to support the ESG integration processes of our teams. In addition, proxy voting, engagement with issuers and regulators, and collaboration with like-minded investors and associations are important pieces of our active stewardship activities. More details on each are provided in Principles 4, 5, and 7. Information gathered from proxy voting and engagements with issuers may be used in the investment decision-making processes of our teams.

## Tools for monitoring material ESG factors

In monitoring material ESG factors and performance of investee companies, investment teams employ a combination of tools. These may include, but are not limited to:

ESG Monitoring Tools	Description
<b>ESG Dashboard</b>	RBC GAM's equity investment teams receive quarterly ESG Snapshots produced by the RI team. The reports support portfolio managers' monitoring of changes in portfolio holdings' ESG scores and controversies, as well as ongoing monitoring of overall ESG ratings position relative to portfolio benchmarks. <sup>9</sup>
<b>Climate Dashboard</b>	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 quarterly basis. <sup>10</sup> 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 modeled 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 modeled. 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.
<b>Third party research providers</b>	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.
<b>Engagement with issuers</b>	Engagement methods by investment teams may vary across asset classes depending on engagement objectives (where applicable) and accessibility of the issuer. Additional details and examples are outlined under Principle 4.

<sup>9</sup>The number of strategies for which an ESG Snapshot is produced may vary quarter-to-quarter and does not include all investment strategies across RBC GAM. The frequency with which investment teams review the ESG Snapshot may vary by team.

<sup>10</sup>The number of strategies for which a Climate Dashboard is produced may vary quarter-to-quarter and does not include all investment strategies across RBC GAM. The frequency with which investment teams review the Dashboards may vary by team.



## Principle 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

### Our approach to direct engagement

We believe that issuers that manage their material ESG risks and opportunities effectively are more likely to outperform on a risk-adjusted basis over the long term. Our approach to engagement reflects this belief, as we engage in dialogue with issuers over time and participate in initiatives that aim to increase transparency and foster fair and efficient markets for the benefit of investors and clients globally.

Our investment teams may meet with the issuers in which we invest on an ongoing basis. The specific ESG factors we engage on differs based on several items. For corporate issuers this can include the issuers' 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, availability of and dependence on natural resources, and potential regional issues, among other factors. Engagement cases are prioritized based on the materiality of the ESG issue to the specific investment. Teams may also prioritize their engagement efforts based on the size of the investment and/or the level of ESG risk within the portfolio.

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 it operates.

Typically, the objectives of our ESG-related engagements include:

- information gathering on material ESG risks and opportunities and the steps the issuer is taking to address them;
- seeking better public disclosure of material ESG risks and opportunities and the steps the issuer is taking to address them;
- encouraging more effective management of material ESG factors, where we believe they may impact the value of the investment; and
- where an issuer is lagging its peers on a material ESG issue, requesting a commitment for change, monitoring any changes, and encouraging continued improvements that are expected to positively impact the long-term value of the investment.

## Methods of engagement

We employ a variety of engagement methods, depending on the issuer, the matter being discussed, and the accessibility of the issuer. For instance, our primary method of engagement is to engage directly with the issuer through private dialogue, over time. For matters affecting corporate governance, this typically involves meeting(s) with and/or letter(s) to the board of directors. For most other ESG matters, our investment teams meet directly with the board of directors, management team, or specific executives or individuals responsible for overseeing the matter at the issuer.

We have a strong preference for maintaining an open dialogue and working with our investee issuers to address material ESG-related matters through private dialogue. 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.

Also, we do not believe that broad-based divestment is an effective stewardship 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.

Our investment teams select the engagement methods they believe to be most effective for their desired engagement objective, as outcomes from engagements can be integrated directly in the investment process and may be used in making investment decisions. In 2023, our teams completed over 1,800 engagements on ESG-related issues. Examples of approaches across asset classes and strategies include:

- **Public equities:** As equity investors, and as a large institutional investor, we typically have good access to boards and management. Our investment teams have direct communication with management teams to share their views on ESG issues that may impact shareholder value. In emerging markets, where information on ESG issues is less readily available, our investment teams focus on developing relationships with boards and management over time and may prioritize engagements based on specific ESG issues that are considered most material to the portfolio as a whole.
- **Corporate fixed income:** Corporate fixed income investors may engage with senior management as bonds reach maturity and the company seeks to refinance, focusing on matters that may impact the likelihood of debt repayment or of the issuer's perceived credit quality in the market. Our corporate fixed income teams may also engage directly with rating agencies or facilitate meetings between rating agencies and the issuer to improve transparency and resolve potential discrepancies in information. Our corporate fixed income teams may engage with corporate

issuers proactively to initiate dialogue on ESG matters, or reactively in response to an external event or development.

- **Government fixed income:** Engagement opportunities in this asset class tend to be more multi-pronged and can include a range of stakeholders, with engagement taking place through various routes for municipal or sovereign issuers. Our investment teams also engage with regulators and policy makers on matters affecting transparency and fostering fair and efficient capital markets in the markets in which they invest.
- **Fixed income securitized credit:** When engaging within securitized credit, the nuances of the asset class must be considered when determining the methods of ESG engagement applied, the level at which ESG engagement is possible and the degree to which there can be engagement for the purpose of influencing the issuer. For example, engagement may focus on the manager, originator, or servicer of a securitized instrument, rather than at the specific collateral pool level and issuers therein.
- **Real estate, infrastructure, & mortgages:** Engagement opportunities 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 to effect change 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.

Our investment teams engage on ESG matters with investee issuers and we report on our engagements to clients through both direct quarterly reporting to institutional clients, as well as public disclosures to all retail and institutional clients, via our Transparency Reports with the UN Principles for Responsible Investment (UN PRI), and in our annual Commitment to the UK Stewardship Code reports.

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 helps inform the investment case. Historically, there have been instances of unsuccessful engagements resulting in divestment of the issuer's security. Similarly, engagements may reinforce the positive outlook of our investment teams on a particular investment or point to specific risks or issues for monitoring.



## Our approach to collaborative engagement

As a firm, we engage constructively with regulators, policy makers, as well as other stakeholders (including, but not limited to, industry bodies, lawmakers and civil society). We participate in initiatives that we believe will increase transparency, protect investors, and foster fair and efficient capital markets. We recognize that advocating for policy, regulatory and legal reform can be more effective when market participants work together. Where interests are aligned, collaboration with like-minded investors, as well as other stakeholders can give us greater influence on issues specific to our investments and on broader, market-wide considerations. We work to encourage changes that are in the best interests of our clients.

As with our direct engagement activity, we participate in initiatives and collaborative engagements on ESG issues that we deem material to our investments. For example, corporate governance and climate change are generally material issues due to their broad and systemic nature. For specific collaborative engagement opportunities, we may evaluate both the materiality of the ESG issue and our portfolios' exposure to the issue.

A full list of our collaborative initiatives can be found at [rbcgam.com/ri](http://rbcgam.com/ri).<sup>11</sup> Due to the RBC GAM-UK and BBAM LLP alignment in 2023, membership and signatory arrangements for our industry initiatives may change going forward. In some instances, RBC GAM or RBC BlueBay may have been an individual signatory to an industry initiative listed below in 2023.

For more information on how we manage actual or potential conflicts of interest, including in engagement activities, see Principle 2.

## Escalation of stewardship activities

We assess our stewardship activities through the lens of our clients' 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.<sup>12</sup>



### Private dialogue

At RBC GAM, we have a strong preference to maintain an open dialogue with our investee issuers to address any material ESG-related matters. We believe that this approach promotes strong relationships with issuers and enables us to raise our concerns and convey our views from an investor's perspective and allows our issuers to address these concerns in the ways they deem best for their businesses. We engage in private dialogue and may seek out like-minded investors to collaboratively 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 the issuer improve disclosure, create a strategy, or implement sector best practices related to the material ESG issue
- Joining like-minded investors in a collaborative engagement, requesting the issuer improve disclosure, create a strategy, or implement best practices related to the material ESG issue



### Public statements

Where we see a need for accelerated progress from issuers on material ESG issues that have not been adequately addressed through private dialogue and/or proxy voting, we 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 collaboratively with other like-minded investors. We use this method sparingly.

#### Forms of escalation

- Issue or become a signatory on a public statement requesting specific issuer actions related to the material ESG issue

<sup>11</sup>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.

<sup>12</sup>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 often use proxy voting to signal our views on material ESG issues to management teams and boards of directors, in line with our Proxy Voting Guidelines. Depending on the ESG factor, proxy voting may be the first action taken to escalate our stewardship with an issuer. For example, for several governance factors, like executive compensation and board gender diversity, the proxy voting circular is the first opportunity to address the issue, which can then further be addressed by 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 willingness to address the issue through private dialogue, before casting our votes against management's recommendations and publicly expressing our views.

### *Forms of escalation:*

- Voting against management on a ballot item and/or withholding votes from a specific director.
- Implementing a more stringent voting policy for the ESG issue being considered and/or withholding votes from the entire sub-committee responsible for overseeing the ESG issue and/or the Chair of the Board.
- Filing a shareholder proposal to address the material ESG issue directly. We use this method sparingly.

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 and its clients.

For more information about engagement objectives and specific considerations across asset classes, please see Principle 4. For more information on our collaborative initiatives, please see Principle 7.

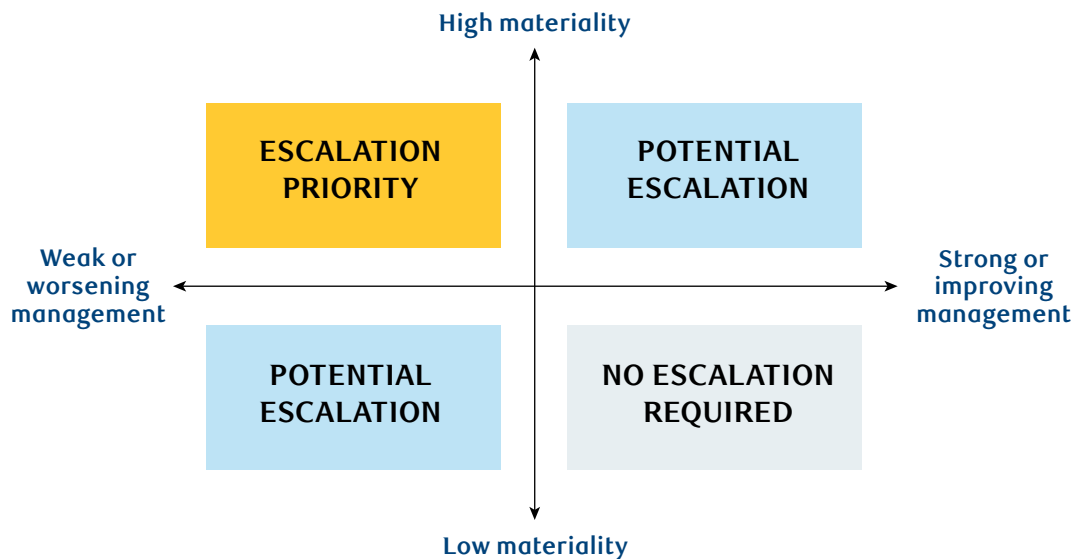
## LIMITATIONS TO ESCALATION IN FIXED INCOME

Fixed income investors are not owners, and as such, have more limited mechanisms to influence 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 influencing a company. Investors are not their primary stakeholder (this is the voting populace) 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, see *Common characteristics of engagement within the fixed income asset class*.

## 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. 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 other like-minded investors in escalating the matter.

### 2. **High Materiality | Strong or Improving Management:**

Where an issuer is exposed to a high materiality 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 best 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 not materially exposed to specific ESG risks, 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 raise the materiality of a specific ESG factor and warrant further investigation.

### 4. **Low Materiality | Weak or Worsening Management:**

Where an issuer is not materially exposed to specific ESG risks 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 any potential changes in materiality. They may also encourage the issuer to implement sector best practices over the long term to help ensure appropriate policies are in effect and help avoid creating a potential future material ESG-related risk or controversy.

In addition to materiality and issuers' management of ESG factors, where there are multiple issuers, both with highly material ESG risks, our investment teams may prioritize escalation of efforts with the issuer that represents a larger investment 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, while meeting directly with larger holdings. For more information on how materiality is determined across asset classes and geographies, please refer to Principle 3.



## Principle 5

**Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.**

### **Exercising our proxy voting rights**

Voting responsibly is part of our fiduciary duty. It is our policy to exercise the voting rights of the accounts we manage in the best interests of our clients. For example, through the exercise of our voting rights we encourage issuers and their boards of directors to consider and adopt recognized best practices in governance and disclosure.

### **Our proxy voting policy**

Our proxy voting activities are governed by our Proxy Voting Guidelines and applicable regional proxy voting policies, 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 funds, 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.<sup>13</sup> 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 a particular proposal is material enough to outweigh liquidity concerns.

When our funds participate in securities lending, we recall all loaned securities in North America for the purpose of proxy voting. Outside of North America, we 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**

The RBC GAM Proxy Voting Guidelines are our custom voting guidelines, which 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,

<sup>13</sup> 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 are submitted until the meeting date (this period can be over two weeks). Our approach is to generally not vote shares that are subject to shareblocking.



RBC GAM utilizes the local benchmark voting policy of Institutional Shareholder Services (ISS).

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
- Environmental and social issues

We review and update our Proxy Voting Guidelines on an annual basis to reflect any changes in what we believe to be corporate governance best practices. All changes are reviewed by our Proxy Voting Committee and approved by our CIO. We 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 ESG practices, 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, it can and does 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. During 2023, we initiated the transition of proxy voting for the BlueBay Fixed Income team portfolios onto ISS' Proxy Exchange platform.



**We implement our custom Proxy Voting Guidelines**, and engage a proxy advisor to recommend a voting position for each individual ballot item, based on our guidelines.

**Our RI team reviews each ballot item**, and draws on the expertise of the investment teams and analysis from leading research firms, where appropriate.

**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. Except in exceptional circumstances, we do not publicly disclose how we intend to vote or provide rationales for our votes on specific issues ahead of time.

**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 certain reports and thought pieces, and provide additional reporting to clients.

Our RI team manages proxy voting for RBC GAM, excluding funds managed by external sub-advisors, certain portfolios managed by the BlueBay fixed income team, and portfolios where clients retain their own voting discretion. This proxy voting process is only applicable for proxy voting executed by the RI team.

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 the Canadian Coalition for Good Governance (CCGG), the 30% Club Canadian Investor Group, and Climate Action 100+.

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 and our clients. 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's 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 to help ensure that the quality and accuracy of voting recommendations and their effective execution are maintained.

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.

We generally do not vote shares that are subject to shareblocking restrictions, unless we determine it is in our clients' best interest to do so, since we believe that this practice is not in the interest of shareholders.

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

Finally, 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' reconciliation process, which reviews ballots received against a record of our 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. In all cases, RBC GAM reviews meetings and proposals to help ensure votes are submitted in the best interests of our clients. RBC GAM can override the recommended votes of ISS's research teams in the event 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 to help ensure that our votes are fully informed and cast in a way that contributes to our principal duty to maximize investment returns for our clients without undue risk of loss.

### **PROXY VOTING IN THE JAPANESE MARKET**

The RBC GAM Proxy Voting Guidelines are not applied to issuers in Japan. For Japanese issuers, we leverage ISS' Japan Proxy Voting Guidelines.<sup>14</sup> 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. Consistent with our approach to proxy voting, we seek to exercise the voting rights of the accounts we manage in the best interests of our clients.

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.

Voting activity is limited in fixed income portfolios and 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.

<sup>14</sup><https://www.issgovernance.com/policy-gateway/voting-policies/>

RBC GAM generally votes in the same way across all internally managed funds, 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 clients and unitholders invested in the portfolio companies, with a view to enhancing their long-term value. In the event that portfolio managers of separate funds 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' online voting platform, ProxyExchange. RBC GAM also uploads our 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 retail funds offered by RBC GAM Inc. and RBC Funds (LUX), consistent with the existing practice for RBC GAM-US 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 2023, we revisited the existing holdings feed for RBC GAM-US mutual funds. The process was updated to align with the updated process put in place for RBC GAM Inc. 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 2023, 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 funds, 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 returns for our clients, 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.
- **BlueBay fixed income investment platform:** In 2023, certain BlueBay Fixed Income team portfolios' proxy voting continued to be administered by RBC BlueBay Corporate Actions team, with support from the RI team. The RBC BlueBay Corporate Actions team consulted with investment teams on voting decisions in these instances. Work is ongoing to transition the remaining BlueBay fixed income investment platform accounts to the RI team's proxy voting process. Further detail can be found within the section below on Proxy Voting Process for BlueBay Fixed Income Team Portfolios.
- **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 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' ProxyExchange platform. Votes for BlueBay Fixed Income team portfolios were administered by the RBC BlueBay Corporate Actions team until they were transitioned onto the ProxyExchange platform. Once on the ProxyExchange platform, votes were administered by the RI team. At the end of 2023, existing funds managed by the BlueBay Fixed Income team had been transitioned, and the transition for institutional segregated portfolios was underway.

Throughout the transition process, the RBC BlueBay Corporate Actions team, RI team, and BlueBay Fixed Income team coordinated on voting decisions, considering the Proxy Voting Guidelines. Although voting in fixed income

portfolios is limited, the transition to the ProxyExchange platform facilitates:

- 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' proxy voting research, and custom recommendations from the ISS custom research team.
- Consistency in proxy voting reporting and analysis.

Completing the transition of remaining portfolios to the ProxyExchange platform will continue in 2024.

### 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 2023, these efforts were deprioritized in order to focus our efforts on enhancing procedural aspects of our proxy voting analysis, address ESG-related regulatory requirements, and other strategic priorities. In addition, traffic to our proxy voting disclosure pages remains low, suggesting we could better meet the evolving needs of our clients elsewhere.

In exceptional circumstances, where we believe it is appropriate and in our clients' 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 retail 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. In 2023, the BlueBay fixed income investment platform also submitted voting records to RBC GAM on a quarterly basis for public disclosure for the prospectus-qualified funds sub-advised for RBC GAM Inc. This was discontinued once the funds were transitioned to ISS' ProxyExchange platform.

## Proxy voting results<sup>15</sup>

The table below summarizes how we voted against management's recommendations across markets in 2023. The proxy voting statistics in the first table include voting for all of RBC GAM with the exception of portfolios managed by BlueBay Fixed Income teams, externally managed sub-advised funds, and certain institutional accounts.

	Canada	U.S.	Overseas	Overall
Proposals	3,412	12,811	18,647	34,870
Votes WITH management	3,031	10,329	16,972	30,332
Votes AGAINST management	381	2,482	1,675	4,538
% of votes AGAINST management	11.17%	19.37%	8.98%	13.01%

In addition, the below table summarizes the BlueBay fixed income platform's proxy voting record in 2023:

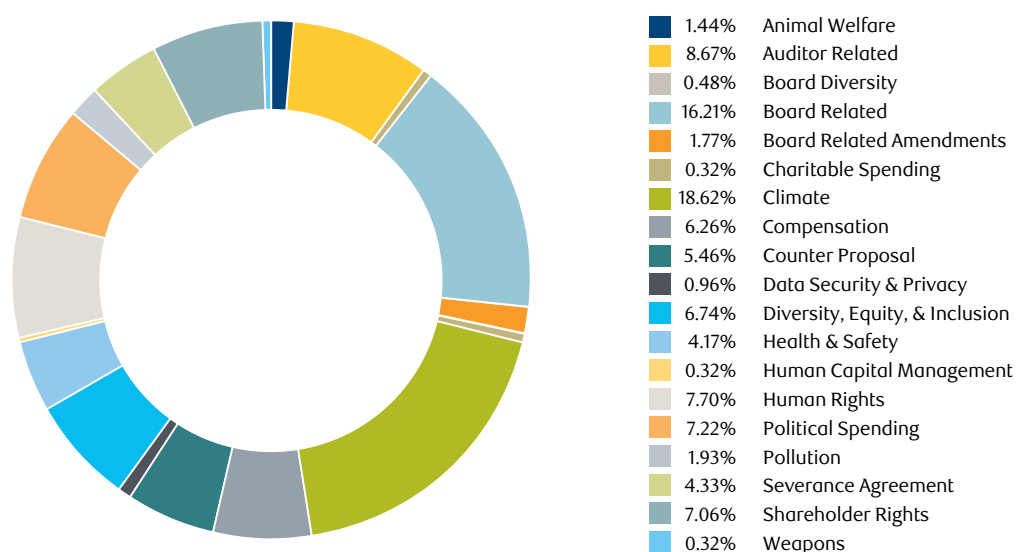
Proposals	Votes WITH management	Votes AGAINST management	% of votes AGAINST management
136	132	4	2.94%

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

## 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 34,870 management and shareholder proposals on which we voted in 2023, 927 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)<sup>16</sup>

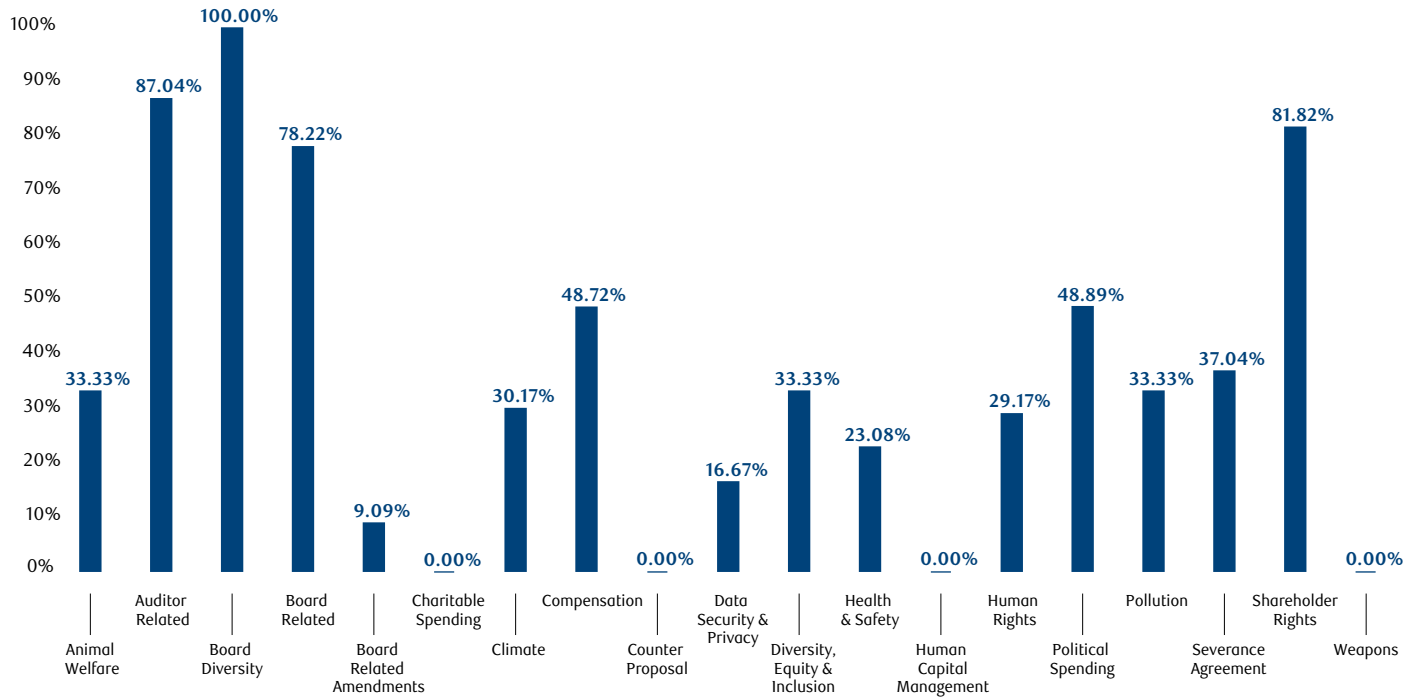


<sup>15</sup> The proxy voting statistics include voting for all of RBC GAM with the exception of portfolios managed by the BlueBay fixed income team, externally managed sub-advised funds, and certain institutional accounts

<sup>16</sup> 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 623. Values may not add to 100% due to rounding.



Shareholder proposals supported by category (% FOR)<sup>17,18</sup>



<sup>17</sup> RBC GAM instructed an ABSTAIN vote on five proposals.

<sup>18</sup> Management supported one proposal under the "Political lobbying disclosure" item category. After review, RBC GAM voted WITH management on the proposal.

## Overview of our voting record by issue<sup>19,20,21</sup>

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.

Item category	Canada			U.S.			Rest of World			Total		
	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt	WITH Mgmt	AGAINST Mgmt	% AGAINST Mgmt
<b>Management proposals</b>												
Ratify Auditors	59	1	1.7%	1,130	5	0.4%	442	3	0.7%	1,631	9	0.5%
Elect director	2,339	269	10.3%	6,894	1,782	20.5%	4,476	399	8.2%	13,709	2,450	15.2%
Approve remuneration of directors and/or committee members	0	0	0.0%	1	0	0.0%	578	30	4.9%	579	30	4.9%
Management climate-related proposal	0	0	0.0%	0	0	0.0%	6	0	0.0%	6	0	0.0%
Approve remuneration policy	0	0	0.0%	0	0	0.0%	215	35	14.0%	215	35	14.0%
Advisory vote to ratify named executive officers' compensation	180	7	3.7%	950	114	10.7%	370	72	16.3%	1,500	193	11.4%
Reporting on Climate Transition Plan	2	0	0.0%	0	0	0.0%	3	1	25.0%	5	1	16.7%
<b>Shareholder proposals</b>												
Require independent board chairman	0	0	0.0%	1	66	98.5%	0	0	0.0%	1	66	98.5%
Racial equity and/or civil rights audit	2	0	0.0%	9	2	18.2%	0	0	0.0%	11	2	15.4%
Report on equal employment opportunity	1	0	0.0%	1	6	85.7%	0	0	0.0%	2	6	75.0%
Political lobbying disclosure	2	0	0.0%	7	11	61.1%	0	0	0.0%	9	11	55.0%
Gender pay gap	0	0	0.0%	7	5	41.7%	0	0	0.0%	7	5	41.7%
Human rights risk assessment	2	0	0.0%	5	7	58.3%	2	0	0.0%	9	7	43.8%
Report on climate change and GHG emissions	9	0	0.0%	20	19	48.7%	3	7	70.0%	32	26	44.8%
Environmental & social counterproposal	0	0	0.0%	34	0	0.0%	0	0	0.0%	34	0	0.0%

<sup>19</sup> The data in this table reflects proxy voting activities undertaken during the 2023 calendar year (January 1, 2023 – December 31, 2023)

<sup>20</sup> RBC GAM instructed an ABSTAIN vote on five proposals.

<sup>21</sup> Management supported one proposal under the "Political lobbying disclosure" item category. After review, RBC GAM voted WITH management on the proposal.



## Principle 6

Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

### Meaningful client reporting

In order to facilitate effective client conversations and to help ensure we are continually meeting our clients' stewardship and RI needs, we publish a variety of reports and disclosures on a regular basis.

Method of communication	Type of information
<b>Institutional client reporting</b>	<p><b>Stewardship reporting</b></p> <p>We distribute quarterly reports for institutional clients, upon request, that provide updates on our stewardship activities, including engagement case studies and proxy voting, and updates on our ESG integration approaches, where relevant.</p> <p>Several investment teams provide additional client reporting on RI and stewardship, 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 for clients. In 2023, the RBC Emerging Markets Equity team also published its inaugural Climate Report designed to supplement its annual ESG report.</p>
	<p>In addition to these, investment teams may also publish ESG insight articles, which are made available to clients through the RBC GAM website or direct communication. For example, in 2023, RBC BlueBay investment teams published insights on the vulnerability of water companies in the current economic cycle, measuring social factors through Europe's Social Taxonomy, and the growing importance of ESG reforms in emerging markets.</p>
	<p><b>ESG reports</b></p> <p>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. In 2023, we began providing institutional clients in some jurisdictions with portfolio climate reports for their portfolios, upon request. These were produced to meet the regulatory requirements of the UK FCA ESG Sourcebook and include the following portfolio-level climate metrics: carbon emissions, exposure to carbon intensive assets, investment in issuers with climate targets, temperature alignment, and climate scenario analysis</p>

Method of communication	Type of information
Public disclosure	<p><b>RI policies</b></p> <p>RBC GAM publishes our governing RI policies on our website. Our Approach to Responsible Investment is RBC GAM's overall policy on RI, which describes the methods we use in our ESG integration, our stewardship activities, and our reporting.</p>
	<p><b>Proxy voting disclosures</b></p> <p>We publish our Proxy Voting Guidelines, which are reviewed and updated annually to reflect current issues. RBC GAM also discloses our proxy voting records on our regional websites in accordance with applicable regulations.</p> <p>For more information on our proxy voting disclosures and proxy voting process, including how we maintain records of our proxy voting activities, please see Principle 5.</p>
	<p><b>Reporting on our RI commitments</b></p> <p>We publish reports annually related to our commitments to the UN PRI, the UK Stewardship Code and the Japan Stewardship Code, as well as an annual Climate Report, guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These reports are available on our relevant websites.</p>
	<p><b>ESG insights</b></p> <p>We publish ESG insight articles on a variety of ESG-related topics throughout the year. This has included topics such as: perspectives on biodiversity and COP15, why climate-related financial disclosure matters, insights into the upcoming proxy season, and more. ESG insight articles are publicly available on our website.</p>

## 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. In some cases, we will also consider segregated clients' specific views when we analyze proxy voting proposals or are engaging with companies within these portfolios.

- For matters that are material to a broad spectrum of individual investor and institutional clients, we may: Integrate additional data or research sources into the ESG processes of our investment teams, to help 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+.
- Update our Proxy Voting Guidelines to help ensure we are 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.

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 2023, we discontinued two ESG-related reports.

### Semi-Annual RI reports

Given the comprehensiveness of reports such as our annual UK Stewardship Code filing and Climate Report, and considering limited usage of our semi-annual reporting, we decided in 2023 to stop producing our Stewardship in Action, RI semi-annual reports. In particular, we identified that shorter insight pieces with similar information—such as previews for the upcoming proxy voting season—often had more interest from clients, complementing our more comprehensive reporting.

### Annual RI Survey

Our Annual RI Survey was designed to summarize the latest views, actions, and intentions of institutional investors and consultants related to RI and ESG. After six successful years, we were able to complete a five-year retrospective look. Subsequently, we identified duplication with other market surveys and discontinued our survey.



## Principle 7

To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

We aim to continuously and improve our approach to responsible investment and stewardship activities. We believe that we have the most effective governance structure in place for the firm. Moreover, we continue to explore ways to improve our systems and processes.

### Responsible Investment (RI) team

As described in Principle 2, the RI team's primary responsibility is to lead RI activities and stewardship across the firm. This includes several activities we believe enable us to continuously develop the skills and knowledge required to effectively fulfill our stewardship responsibilities:

- 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.
- Participating in and leading collaborative initiatives on ESG-related issues with like-minded investors and national or international organizations/coalitions, where appropriate. The RI team also supports and participates in direct and collaborative engagements by liaising with investee companies and investment teams, where appropriate

- 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.

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 2023 focused on climate-related topics including: building a net-zero portfolio, climate factor analysis, nature and biodiversity-related risks, and approaches for sovereign and sub-sovereign carbon emissions analysis. The RI team also continued to host its ESG Education Series. In 2023, we held one ESG Education Series session, focused on the governance theme of detecting financial statement manipulation. In addition, the RI team launched quarterly touchpoints with investment teams in 2023. 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 distributes an internal monthly newsletter highlighting key developments in the areas of RI and active stewardship. The newsletter is distributed to all employees across RBC GAM.



## Investment teams

As described in Principle 2, RBC GAM's investment teams are active across capital markets and asset classes and manage both traditional and innovative investment strategies. Our investment teams engage in several activities to enhance their skills and knowledge in a way we believe best positions us to fulfill our stewardship responsibilities.

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

Topics discussed at these periodic meetings in 2023 included nature-related risks and opportunities, water as an investment issue, ESG sentiment in the market, and evolving corporate ESG-related disclosure frameworks.

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.

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. We believe this helps 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.

Our investment teams may use ESG research providers' reports to assist in their proprietary research of companies 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.

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.

For more information on our chosen governance structure and the roles and responsibilities of executive management, please see Principle 2.

## Summary of our industry initiatives<sup>22</sup>

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. Industry initiative participation can also be an effective way to stay abreast of emerging ESG trends and material ESG issues. Due to the RBC GAM-UK and BBAM LLP alignment in 2023, membership and signatory arrangements for our industry initiatives may change going forward. In some instances, RBC GAM or RBC BlueBay may have been an individual signatory to an industry initiative listed below in 2023.

Initiative	Description and key commitments	Primary theme
<b>Climate Engagement Canada (CEC)</b>	<p>In 2021, we became a founding participant of the CEC, 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+.</p> <p>In 2023, CEC launched the Net Zero Benchmark and its first assessment of focus companies against the benchmark, which provides a set of common standards for investors to evaluate corporate issuers' progress towards aligning with the Paris Agreement's ambition. A member of RBC GAM's RI team is Chair of the Technical Committee of the CEC. In 2023, RBC GAM participated in the launch of four collaborative engagements as part of CEC.</p>	<b>Climate change</b>
<b>Emerging Markets Investor Alliance (EMIA)</b>	<p>The BlueBay fixed income investment platform is a member of the EMIA, which 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.</p> <p>Over the course of 2023, 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 (e-waste), extractives (social and climate issues), ESG labelled issuances (enhancing the quality of), and the debt and governance work stream (fiscal and budgetary transparency).</p>	<b>Fair &amp; efficient capital markets</b>
<b>European Leveraged Finance Association (ELFA)</b>	<p>The BlueBay fixed income investment platform is part of this industry trade body, and as part of our membership, a BlueBay Fixed Income team member is an ESG Committee member. Over the course of 2023, the BlueBay Fixed Income team provided input into ELFA's submissions to public consultations related to ESG regulation.</p>	<b>Fair &amp; efficient capital markets</b>
<b>Farm Animal Investment Risk &amp; Return (FAIRR)</b>	<p>The BlueBay fixed income investment platform is a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production. During 2023, the BlueBay Fixed Income team continued to participate in the collaborative engagement project on labour standards in the food producer industry and provided input into FAIRR's strategy and work programme.</p>	<b>Fair &amp; efficient capital markets</b> <b>Corporate governance</b>
<b>International Corporate Governance Network (ICGN)</b>	<p>RBC GAM is a member of the ICGN, aiming to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.</p> <p>A member of the RI team is on ICGN's Global Governance Committee. Through the ICGN we provided comments on numerous regulatory submissions. In 2023, the ICGN filed four various letters with regulators, which we reviewed and, where appropriate, provided input.</p>	<b>Fair &amp; efficient capital markets</b> <b>Corporate governance</b>
<b>Investor Stewardship Group (ISG)</b>	<p>RBC GAM is a founding member of ISG, which works to establish a framework of basic standards of investment stewardship for institutional investors and corporate governance principles for U.S. listed companies.</p> <p>A member of the RI team sits on the ISG Board of Directors.</p>	<b>Fair &amp; efficient capital markets</b> <b>Corporate governance</b>

<sup>22</sup>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. Any information provided in this section pertaining to RBC GAM's key commitments reflects the Initiative's status and operations as of the reporting period January 1, 2023 – December 31, 2023.

Initiative	Description and key commitments	Primary theme
<b>Investment Association (IA)</b>	We are a member of the IA, the United Kingdom's membership association for investment managers. A member of the RI team sits on the IA's Fixed Income Stewardship Working Group	<b>Fair &amp; efficient capital markets</b>
<b>Investors Policy Dialogue on Deforestation (IPDD)</b>	In 2023, we continued to be a supporting investor of the IPDD, and a member of the BlueBay Fixed Income team was co-chair of the IPDD and contributed directly to the initiative's efforts in Brazil and Indonesia (as of 2023). In April 2023, the initiative held a week of meetings in Sao Paulo, Brazil and the Amazon, which marked an important escalation of its engagement with the Brazilian authorities on deforestation.	<b>Nature-related risks</b>
<b>Mission Investors Exchange</b>	RBC GAM is a member of the Mission Investors Exchange, the leading impact investing network for foundations, dedicated to deploying capital for social and environmental change.	<b>Impact management</b>
<b>Responsible Investment Association (RIA)</b>	RBC GAM is a member of the RIA, Canada's association for responsible investment whose mandate is to promote responsible investment in Canada's retail and institutional markets. In 2023, a member of the RI team was Vice-Chair of the RIA board of directors and Chair of the Governance Policy Committee. Through the RIA, we contributed to one policy submission in 2023. In 2020, RBC GAM became signatory to the Canadian Investor Statement on Diversity & Inclusion. In 2021, RBC GAM also became a founding signatory to the 2021 Canadian Investor Statement on Climate Change.	<b>Fair &amp; efficient capital markets</b> <b>Climate change</b> <b>Diversity &amp; inclusion</b> <b>Corporate governance</b>
<b>Standards Board for Alternative Investments (SBAI)</b>	We are a member of the SBAI, which aims to help institutional investors and alternative investment managers better understand how responsible investment can be applied in different alternative investment strategies, as well as the specific challenges and questions that arise in these contexts.	<b>Fair &amp; efficient capital markets</b>
<b>IFRS Sustainability Alliance</b>	We are members 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 Sustainability Accounting Standards Board (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. In 2023, a member of the RI team sat on the Investor Advisory Group. In advance of COP28, RBC GAM was a participant, with close to 400 other organizations, in declaring support to advance the adoption or use of the ISSB's climate-related reporting standard, IFRS S2 Climate-related Disclosures (IFRS S2), at a global level. RBC GAM has published a climate-related report guided by the recommendations of the TCFD since 2020. The TCFD recommendations are now incorporated into the ISSB's Standards, which are overseen by the International Financial Reporting Standards Foundation (see more here). A member of the RI team participates on the ISSB Investor Advisory Council.	<b>Fair &amp; efficient capital markets</b>
<b>UN Principles for Responsible Investment (UN PRI)</b>	We are signatories to the UN PRI, a leading global network for investors committed to integrating ESG considerations into their investment practices and ownership policies. We are committed to putting the UN PRI's six Principles of Responsible Investment into practice and believe that they are aligned with RBC GAM's existing Our Approach to Responsible Investment. In 2023, a member of the RI team sat on the Policy Committee, and the BlueBay fixed income investment platform continued its role in several UN PRI-led initiatives related to fixed income, including the Structured Products Advisory Committee, the Advisory Committee on Credit Ratings (ESG), and the Sustainable Commodities Practitioners Working Group (deforestation). As part of its involvement, the BlueBay fixed income investment platform participated in workshops and webinars, and provided feedback on white papers.	<b>Fair &amp; efficient capital markets</b>

A full list of our collaborative initiatives can be found at [rbcgam.com/ri](https://rbcgam.com/ri).

## Continuous improvement

Our RI and stewardship reporting continue to evolve in response to internal review processes, client feedback, and changing best practices. Updates to our policies can be referenced under Principle 1. In 2023, we also published our third climate report guided by the recommendations of the TCFD ([RBC GAM Climate Report 2023](#)).

In 2023, 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. This includes our internal Climate Dashboards which are updated for investment teams on a quarterly basis with data on carbon emissions, net-zero alignment, transition risks and opportunities, and climate scenario analysis.

In 2023 we also leveraged our internal ESG data infrastructure to conduct climate research. This includes research into the risk-return implications of managing portfolios with emissions reduction targets, using our quantitative research expertise to assess climate factors, and expanding our climate analysis to include sovereign fixed income assets. In 2023, we provided portfolio climate reports to institutional clients in some regions, as appropriate and in line with the UK FCA ESG Sourcebook. 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.<sup>23</sup>

We also initiated a project to automate the delivery of proxy voting data to our investment teams in a user-friendly manner. Building off a custom process developed by the RBC North American Equity team, the RI team initiated a project to set up a customized alert delivery system for upcoming votes in investment team portfolios. We believe these efficiencies will reduce maintenance requirements and provide our RI team with more time to research and analyze upcoming votes.

<sup>23</sup>The number of strategies for which a Climate Dashboard is produced may vary quarter-to-quarter and does not include all investment strategies across RBC GAM. The frequency with which investment teams review the Dashboards may vary by team





## Principle 8

Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

Although this principle does not directly apply to RBC GAM or any of its affiliates, we provide an overview of how we monitor and hold to account our service providers.

### Our proxy voting providers

As active stewards of our clients' assets, we convey our views to issuers through thoughtful proxy voting. To accomplish this, we developed the Proxy Voting Guidelines 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 to help 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 the best interests of the portfolios and the clients that invest in them, 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 the best interests of the portfolios we manage. This includes 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 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;
  - we voted against ISS's custom voting recommendations in previous years; or
  - our custom voting guidelines may not fully capture the unique circumstances of an issuer.
- 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. To help 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 to help ensure that voting is executed according to our Proxy Voting Guidelines:

- 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 to help ensure the number of votes submitted at our issuer meetings match our internal record of securities held in affected 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 mutual fund holdings.

- 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., shareblocking).
- 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 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

RBC GAM retains the services of a number of research and data providers to support and enhance our stewardship activities<sup>24</sup>:

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

The primary users of this research and data include the investment and RI teams. Research and data from our providers help to 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 to help 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 Quantitative Investments team back tests data being considered for core 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 can be resolved through engagement with the provider.
4. Once the provider is on-boarded, we maintain open dialogue and engagement between users of the data and the providers themselves to help 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.

6. 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 2023, we onboarded new data to meet EU Taxonomy reporting requirements. Due to the new nature of the data, the RI team conducted a detailed analysis of the data received from the data vendor to assess its accuracy.

The RI team continued to assess the quality of climate data from our third-party vendor in relation to the methodologies they apply 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 a new temperature alignment methodology. 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 identified 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 2023, we had multiple meetings with our data vendor to discuss and review their data quality controls and systems.

# RBC Global Asset Management

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