



**GAM  
Remuneration Policy - UK**

## Compensation Philosophy and Principles

RBC's approach to compensation is guided by our vision of being among the world's most trusted and successful financial institutions and our purpose of helping clients thrive and communities prosper. Our compensation philosophy aims to:

- Provide competitively positioned total compensation opportunities (including base salary and variable compensation) that attract, retain and motivate individuals who have the key skills, capabilities and commitment needed to achieve RBC's objectives;
- Drive a high-performance culture by providing highly competitive total compensation opportunities to reward superior individual contribution and the achievement of superior business results;
- Link employee interests to the achievement of top quartile shareholder returns that lead to long-term value creation, with senior employees having significant share ownership requirements.

RBC Compensation Programs are designed to align employee interests, with the achievement of performance objectives and strategic goals within RBC's risk appetite, to drive superior financial performance.

RBC's approach to compensation is based on five guiding principles:

### **1. Compensation aligns with long-term shareholder interests**

- Awards vary based on the absolute and relative performance of RBC.
- Mid and long-term incentives vest and pay out over time, encouraging a longer-term view of increasing shareholder value.

### **2. Compensation aligns with sound risk management principles**

- Our risk management culture is reflected in our approach to compensation. Our compensation practices appropriately balance risk and reward, and align with shareholder interests.
- Performance of individuals, business segments and RBC overall is assessed based on a number of measures, including adherence to risk management policies and guidelines.

### **3. Compensation rewards performance**

- Our pay-for-performance approach rewards employees for their contributions to individual, business segment and enterprise results relative to objectives that support our business strategies for sustainable growth over short, medium and long-term horizons, which are aligned with RBC's risk appetite.

### **4. Compensation enables us to attract, engage and retain talent**

- Talented and motivated employees are essential in creating value for our clients and to building a sustainable future for RBC. We offer compensation that is competitive within the markets where we operate and compete for talent.
- Compensation programs reward employees for high performance and their potential for future contribution.

### **5. Compensation rewards behaviours that align with our values and drive exceptional client experiences**

- RBC values, embedded in our Code of Conduct, form the foundation of our culture and underpin our ongoing commitment to putting our clients' needs first and delivering value for all of our stakeholders.
- We consider risk conduct and compliance with policies and procedures in determining our performance-based compensation.

## **Pay Equity**

RBC is committed to the principles of pay equity, and undertake actions to prevent pay disparities between employees performing work of equal or comparable value. RBC addresses pay equity concerns identified in the year-end pay decision-making process through pay adjustments, where it is concluded that individual factors do not explain a difference in pay. Outside the annual compensation review process, RBC reviews compensation when employees move to new roles, taking into account external and internal pay benchmarks and the skills and experiences the new incumbent brings to the role.

## Compensation Risk Management Principles

RBC's approach to compensation risk management is aimed at ensuring compensation aligns with the short, medium and long-term interests of RBC shareholders as well as regulatory guidance defined by Financial Stability Board (FSB), European Banking Authority, Prudential Regulation Authority and/or Financial Conduct Authority.

All employees have a part to play in promoting a strong risk culture built on RBC's values, as set out in the RBC Code of Conduct. These values are embedded in the recruitment, promotion, learning, leadership development and compensation practices. Adherence to company policies and processes, including the RBC Code of Conduct, is taken into account in determining performance-based compensation. Additionally, the board and management consider potential risks associated with compensation arrangements, and take into account risk accountabilities and ethical behaviours as part of performance evaluations and compensation decisions.

## Compensation Package and Pay Mix

Compensation plays a critical role in addressing overall talent needs by recognising employees' proficiency, performance and potential for future contributions.

The compensation package is made up of fixed compensation and benefits (reward for fulfilling the job requirements) and variable compensation designed to incentivize employees to demonstrate achievement in terms of results and behaviours, reward them for that achievement, and encourage them to remain with RBC.

- Fixed compensation reflects responsibility of the job and recognises the skills and proficiency that the employee brings to the job, in addition to the ongoing contribution made. Total fixed compensation is comprised of a base salary, allowances and other payments as appropriate to the local market practice;
- Performance-based variable compensation is awarded on the basis of business results (both locally and globally) as well as individual contribution and performance and may vary on a business by business basis relative to established performance objectives that are aligned with the risk appetite of RBC;
- The range of benefits are designed to support employees' and their families' physical and emotional health and wellbeing throughout their active career as well as retirement; RBC does not pay discretionary pension benefits.

### Variable to Fixed Compensation Ratio

RBC continues to provide a significant portion of remuneration in variable performance-based incentive cash and share based awards to create a clear relationship between pay and performance. RBC seeks to align its fixed to variable compensation ratio with

market practice, recognising the importance of attracting and retaining highly talented and motivated employees who are key to building a sustainable business.

Fixed and variable components are appropriately balanced and fixed compensation is sufficiently high to recognise the possibility of paying a zero bonus. Within control functions the compensation is predominantly fixed and a lower proportion in variable compensation is awarded.

## Variable Compensation and Other Compensation Elements

### Variable Compensation – Risk Adjustment

Variable compensation pools may be adjusted on a discretionary basis for both financial and non-financial risk taking into account the financial soundness of RBC and the impact on RBC's ability to strengthen its capital base.

Adjustments may be applied to an entire Compensation Program, only to certain business units within a Compensation Program, or only to certain employees, depending on the underlying nature of the assessed risk, actual performance and risk outcomes

### Variable Compensation – Individual Allocation

Individual variable compensation awards are determined taking into account RBC, business unit and individual performance evaluated using both financial and non-financial measures including:

- Individual performance such as employee contribution to the business result, achievement of individual performance objectives, behaviours that align to the Code of Conduct and leadership model, adherence to risk management and compliance policies;
- Business metrics which include financial performance of relevant business unit and business line or for control functions, the achievements and objectives of the function;
- Financial performance of RBC.

Performance measures for senior employees in Compliance, Finance, Law Group, Group Risk Management, Internal Audit and Human Resources are based on the achievements and objectives of the functions, and their compensation is determined independently from the performance of the specific business areas they support, therefore avoiding any potential conflict of interest. Employees in these functions, regardless of level, will have their compensation set by individuals independent of the businesses areas that they support.

Individual variable compensation awards may be adjusted downwards where disciplinary sanction is taken for breaches of the RBC Code of Conduct.

### **Variable Compensation – Payment**

#### **Deferral**

Consistent with sound compensation practices to ensure a portion of variable compensation is linked to the creation of longer term shareholder value, a portion of any allocated award may be payable on deferred terms.

The portion of any award that shall be subject to deferral is determined for all employees at a minimum in accordance with the applicable Enterprise level deferral criteria and by their Compensation Program.

Deferred awards may take the form of a deferred payment of cash and/or an RBC Share Unit Award.

#### **Variable Compensation – Forfeiture and Clawback**

Variable remuneration awarded to employees may be subject to forfeiture and clawback, under which RBC may recoup incentive compensation awards that have already been paid (“clawback”) and/or cancel or reduce unvested incentive awards (“forfeiture”) in certain situations, including, but not limited to, there being a material failure of risk management or reasonable evidence of misconduct, as well as, in the case of forfeiture, payment of incentive awards not being justified on the basis of performance of RBC, the business unit or the individual.

#### **Variable Compensation of Material Risk Takers**

Any variable remuneration awarded to Material Risk Takers complies with the remuneration rules defined in the relevant sections of the FCA Handbook.

### **Other Compensation Elements**

#### **Role Based Pay**

Employees may for certain roles be awarded Role Based Pay, which comprises an element of fixed remuneration payable in addition to salary.

#### **Replacement Awards**

Awards may be made to new-hires to replace compensation forfeited upon leaving their old employment.

### Guaranteed Variable Remuneration

Guaranteed bonuses may only be offered to new employees in exceptional circumstances and only then for a period that does not exceed the first 12 months of service and in cases where RBC has a sound and strong capital base to support the award.

### Severance

In the event of an early termination of the employment contract, RBC provides a severance payment to fulfil its statutory obligations and to support the transition of an employee from their RBC employment.

### Pension

Employees may participate in pension arrangements in accordance with their contractual arrangements. RBC does not pay discretionary pension benefits.

## Governance, Compliance and Oversight of Remuneration

### Governance

The Board of GAM (“Board”) is responsible for GAM’s application of RBC’s compensation principles and its compensation practices and processes. The Board reviews the compensation policies which support GAM’s business objectives and take into appropriate account sound risk management practices, including long-term and short-term risk.

The Board is responsible for approving the Policy.

During the year, the Board receives advice from the Human Resources, Compliance, Finance and Risk Functions, who provides advice on the implications of the compensation policy on risk and risk management, and on the adjustments that should be made to levels of variable compensation payable to staff, at both a pool and individual level, to take into account all relevant current and future risks.

The Board takes full account of GAM’s strategic goals in applying its compensation policy and is mindful of its duties to shareholders and other stakeholders. The Board seeks to preserve shareholder value by ensuring alignment of variable compensation payouts with risk and economic performance, as well as the successful retention, recruitment and motivation of employees.

### Material Risk Takers

Material Risk Takers are identified, in accordance with the GAM Identifying Code MRTs Standard – UK, under the following criteria:

- Senior Managers – GAM Board members, SMFs or equivalent;
- Risk Takers – heads of significant UK business lines, head of risk and employees with delegated risk approvals from the head of risk; and
- Staff responsible for control functions.

### **Conflicts**

The remuneration policies and procedures operated by RBC are designed in order to avoid conflicts of interest. In addition, all RBC employees are subject to the Code of Conduct (including the specific clauses within the code around avoiding and managing conflicts of interest).

### **Compliance and Personal Investment Strategies**

Employees are prohibited from entering into personal hedging strategies which may undermine the risk alignment effects embedded within RBC's compensation policies.