

Principal Adverse Sustainability Impacts Statement

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1 Summary

RBC Global Asset Management (RBC GAM) considers principal adverse impacts of its investment decisions on sustainability factors. In accordance with Article 4 of the EU Sustainable Finance Disclosure Regulation¹ ('SFDR'), this document ('Statement') summarises how RBC Funds (Lux) (the Fund) considers principal adverse impacts ('PAIs') of its investment decisions on sustainability factors in relation to products subject to SFDR.

Definitions of relevant terms within this statement are as follows:

- 'Sustainability factors'² mean environmental, social or governance ('ESG') matters such as employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- 'Sustainability Risks'³ mean an ESG event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. All references to 'ESG risks' and 'ESG factors' within this Statement are equivalent to 'Sustainability Risks' and 'Sustainability Factors' as defined in SFDR.
- PAIs, as defined by SFDR, are negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by a legal entity.

The Fund monitors and evaluates a range of PAI indicators related to the issuers in which we invest ('investee entities').

Because reporting on many PAI indicators is currently voluntary for many issuers, the availability of data on some indicators is limited. Therefore, the integration of PAI indicators is conducted on a best-efforts basis. As data availability improves, it is expected that PAI indicators will cover a greater portion of the Fund's investable universe and therefore allow for better insight in the adverse impacts caused by investee entities. Furthermore, the Fund may add additional PAI indicators to its monitoring process as data quality improves.

Specific strategies or products may incorporate additional processes to consider PAI indicators in the investment decision and may incorporate PAI into engagement activities differently. For more information, please refer to [Our Approach to Responsible Investment](#).

This Statement will be reviewed annually, or more frequently, where a material change occurs, and be updated to reflect changes in circumstances and practice, where appropriate.

2 Description of principal adverse impacts

The Fund monitors PAI indicators⁴ at a product level. The Fund and the investment teams that manage it may address the risks posed by PAI in several ways, including through ongoing monitoring, incorporation of PAI risks into the ESG integration process where material, and engagement activities.

PAI currently monitored by the Fund include those set out in the chart below. As noted above, while the Fund monitors the following PAI indicators, specific indicators may be assessed and escalated differently by a particular investment fund or strategy depending on the asset class, fund objective, materiality of indicator and availability of data.

¹ REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability -related disclosures in the financial services sector.

² Article 2(24) EU SFDR.

³ Article 2(22) EU SFDR.

⁴ As detailed in the [EU SFDR Level 2 Regulatory Technical Standards \(RTS\)](#), April 2022 by the European Supervisory Authorities (The ESAs).

Table 1: PAI indicators which the Fund monitors and reports

Scope	Mandatory / Voluntary	Theme	Indicator
Companies	Mandatory	Greenhouse gas emissions	1. GHG emissions (Scope 1, 2 & 3 total emissions)
			2. Carbon footprint
			3. GHG intensity of investee companies
			4. Exposure to companies active in the fossil fuel sector
			5. Share of non-renewable energy consumption & production
			6. Energy consumption intensity per high impact climate sector
		Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas
		Water	8. Emissions to water
		Waste	9. Hazardous waste and radioactive waste ratio
		Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinationals
	11. Lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and OCED guidelines for Multinational Enterprises		
	12. Unadjusted gender gap		
	13. Board gender diversity		
	Voluntary	Emissions	4. Investments in companies without carbon emission reduction initiatives
Social and employee matters		2. Rate of accidents	
Anti-corruption and anti-bribery		15. Lack of anti-corruption and anti-bribery policies	
Sovereigns and supranationals	Mandatory	Environmental	15. GHG intensity
		Social	16. Investee countries subject to social violations

3 Description of policies to identify and prioritise principal adverse sustainability impacts

The Fund's investment teams actively monitor PAI internally, with support from RBC GAM's Corporate Governance and Responsible Investment (CGRI) team. These indicators were selected based on their materiality, as well as data availability.

The CGRI team monitors ESG data sources to identify those that may facilitate and contribute to the monitoring of PAI on an ongoing basis. PAI data is sourced from third-party data providers, including [MSCI ESG Research LLC](#), [Sustainalytics](#), [Institutional Shareholder Services Inc.](#) (ISS), and [Glass, Lewis & Co.](#)

To improve data availability on PAI, we work with our third-party data providers to enhance disclosures. Our teams may also engage with investee issuers, either directly or collaboratively as part of an industry association, to request enhanced disclosure of PAI.

Finally, our investment teams may incorporate PAI directly into their respective ESG integration processes, where material.

The following policies relate to the Fund's management of PAI.

Table 2: Policies and actions taken in relation to PAI indicators

Policy	Description and relation to PAI
Approach to Responsible Investment	<p>RBC GAM's Approach to Responsible Investment is the overarching policy that governs all responsible investment activities at RBC GAM, and is structured according to three pillars – ESG Integration, Active Stewardship, and Client Solutions and Reporting.</p> <p>In relation to actions taken to address PAI, Our Approach to Responsible Investment:</p> <ul style="list-style-type: none"> • Describes our approach to integrating material ESG factors, which may include PAI, in the investment process <i>[Multiple indicators]</i> • Outlines our firm-wide exclusion policies relating to the Anti-Personnel Landmines Convention, Biological and Toxin Weapons Convention, Convention on Cluster Munitions, The Chemical Weapons Convention, and economic sanctions. <i>[e.g., company indicator 14, sovereign indicator 16]</i> • Outlines our approach to direct engagement, collaborative engagement, and proxy voting on ESG factors, including PAI <i>[Multiple indicators]</i> <p>Our Approach to Responsible Investment is reviewed by the CGRI team, the RBC GAM Leadership Committee, and Global Compliance. Updates to the policy are approved by the CIO.</p>
Approach to Climate Change	<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>In relation to actions taken to address PAI, Our Approach to Climate Change:</p> <ul style="list-style-type: none"> • Describes our approach to integrating climate change and net-zero considerations in our investment, engagement, proxy voting, and reporting activities. <i>[E.g., company mandatory indicators 1-7 and sovereign mandatory indicator 15]</i> <p>Our Approach to Climate Change is reviewed by our CGRI team, the RBC GAM Leadership Committee, and Global Compliance. Updates to the policy are approved by the CIO.</p>
Proxy Voting Guidelines	<p>Our Proxy Voting Guidelines specify our policy for how RBC GAM will vote on specific proposals and issues in our proxy voting activities. These Guidelines are applied for issuers in Canada, the United States, the United Kingdom, Ireland, Australia, and New Zealand.</p> <p>In relation to actions taken to address PAI, Our Proxy Voting Guidelines:</p> <ul style="list-style-type: none"> • Include specific guidelines for how we vote on items relating to PAI <i>[E.g., company mandatory indicator 13]</i> <p>The Proxy Voting Guidelines are reviewed by the CGRI team, investment teams, and the Proxy Voting Committee on an annual basis. Updates are approved by the CIO.</p>

4 Engagement policies

Active stewardship is one of the three pillars of RBC GAM's Approach to Responsible Investment. We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors. We engage in private dialogue with issuers over time and participate in initiatives that increase transparency and foster fair and efficient markets.

Our approach to escalation

In addressing PAI in our engagement and proxy voting activities, our investment teams implement an escalation framework with investee issuers. The objective of escalation may include:

- 1 Information gathering and data validation.** Investment teams may validate the accuracy of the data, either with the data provider or with direct engagement with the issuer and to understand the context surrounding the material PAI indicator, as well as any potential action plans already undertaken to address it.
- 2 Requesting enhanced public disclosure.** Investment teams may encourage the issuer to enhance their public disclosure of the material PAI indicator and the steps the issuer is taking to address it, in line with established frameworks and best practice.
- 3 Encouraging more effective management.** Where an issuer is already disclosing its PAI indicators, investment teams may encourage the issuer to adopt approaches that the issuer believes are most appropriate for addressing the issue and to publicly disclose those plans and approaches, and how they are being overseen, to allow for continued monitoring and improvement of the PAI.
- 4 Seeking a commitment for change.** Where an issuer continues to lag its peers on a material PAI indicator or experiences a material deterioration in a PAI indicator, investment teams may request a formal commitment for change, including a more prescriptive approach to addressing the PAI, in line with global standards and frameworks.
- 5 Exiting the investment.** At any stage of escalation, investment teams may divest from the investment entirely. Teams may consider the outcomes of escalation activities taken to date, the materiality of the PAI indicator, and the investment case overall in its decision to exit.

Our ability to meet the objectives above may be more limited for fixed income strategies, particularly for sovereign investments. The methods used to escalate may include direct engagement, collaborative engagement, and/or proxy voting, as follows.

Our approach to direct engagement

Our investment teams meet with the issuers in which we invest on an ongoing basis. Each investment team selects the engagement method it believes to be most effective for the engagement objective, and outcomes from engagements are integrated directly in the investment process. Engagement is dynamic and objectives may alternate between insight and influence or be about both at any one time. Engagement may occur as a one-off event or form an ongoing series of interactions.

Examples of approaches across asset classes and strategies include:

Asset class	Considerations for engagement on PAI
Public Equities	<p>As a large institutional investor, our equity teams typically have good access to boards and management in developed markets. Teams use a combination of internal engagement questionnaires and issuer-specific questions, as well as direct communication with management teams as their primary engagement methods.</p> <p>In emerging markets and for smaller capitalization companies, information on PAI may be less readily available. In these cases, our investment teams often focus on developing relationships with</p>

	management over time and may prioritize engagements based on the PAI that are considered most material to the portfolio as a whole.
Corporate fixed income	Engagement opportunities tend to occur less frequently for debt investors than equity investors in the markets in which we invest, as debt investors have more limited legal mechanisms to influence issuers. Our investment teams typically look for opportunities to engage with management teams during road shows or when issuers seek to refinance. Some of our corporate fixed income teams may also engage directly with ratings agencies and data providers, in some cases facilitating meetings between ratings agencies and issuers to improve transparency and resolve potential discrepancies in information and data on PAI.
Sovereign fixed income	Direct engagement opportunities for sovereign fixed income tend to be limited to smaller bodies, such as municipal issuers, or when larger issuers seek out input from the investor community. Our investment teams may engage with regulators within sovereign fixed income markets on matters affecting transparency of PAI and fostering fair and efficient capital markets. In other cases, teams may engage with other market stakeholders, like financial institutions and specialist political advisors/consultants. In general, collaborative engagement plays a larger role in this asset class.

Our approach to collaborative engagement

As a firm, we recognize that collaboration with like-minded investors can give us greater influence on issues specific to our investments and on broader, market-wide considerations. We participate in initiatives and collaborative engagements on ESG issues and certain PAI deemed material to our investments and portfolios. We also engage constructively with regulators and other lawmakers to increase transparency and foster fair and efficient capital markets.

A full list of our collaborative initiatives, including a description of our role in each, can be found in Our Approach to Responsible Investment.

Our approach to proxy voting

The [RBC GAM Proxy Voting Guidelines](#) are custom voting guidelines, which describe the principles RBC GAM supports and how we vote on particular issues. They have been developed through our internal expertise and resources, and with reference to leading independent research firms. Our Proxy Voting 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 comprehensive and apply to issuers in Canada, the United States, the United Kingdom, Ireland, Australia, and New Zealand. In all other markets, RBC GAM reviews ISS' local proxy voting guidelines and votes accordingly.

Areas covered in the Guidelines, which relate to PAI include:

- Role of board of directors [e.g., *company voluntary indicator 15*]
- Board gender diversity [e.g., *company mandatory indicator 13*]
- Employee rights, diversity and relations proposals [e.g., *company mandatory indicator 12*]
- Climate change and say-on-climate proposals [e.g., *company mandatory indicators 1-3*]
- Environmental proposals [e.g., *company mandatory indicators 1-9*]
- Human rights proposals [e.g., *company mandatory indicators 10-11*]

In all cases, RBC GAM reviews each meeting and voting proposal to ensure votes are submitted in the best interest of the portfolios we manage. As our issuer, geography, and industry experts, our investment teams are able to identify market- and issuer-specific nuances to 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. Direct engagements and proxy voting work together, as engagement may help to inform the context and rationale on specific voting items and material ESG issues, informing both voting and investment decisions.

Voting is limited in fixed income portfolios. However, we execute our rights as fixed income investors where the opportunity exists and according to the specific instrument in which we are investing. This may include, where appropriate:

- Proxy voting, where the opportunity presents (e.g., on transactional items)
- Seeking amendments to terms and conditions in indentures or contracts
- Seeking access to information provided in trust deeds
- Impairment rights
- Reviewing prospectus and transaction details

5 References to international standards

RBC GAM endeavors to respect several international conventions, norms, standards and statements, including, but not limited to:

- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Universal Declaration on Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- U.K. Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018
- UN conventions and treaties on corruption, torture and punishment, and Paris Agreement
- Anti-Personnel Landmines Convention
- Convention on Cluster Munitions
- Biological Weapons Convention, the Biological and Toxin Weapons Convention
- Chemical Weapons Convention

Investment exclusions

RBC GAM recognizes the broad-based international consensus that has emerged regarding the investment in issuers whose business activities would contravene the prohibitions contained in any of the following conventions:

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

In recognition of that consensus and the significant risks associated with those investments, we have applied a norms-based exclusion screen where no RBC GAM investment team will knowingly invest in companies associated with the production, use or distribution of anti-personnel land mines or cluster munitions. These exclusions apply for all portfolios where RBC GAM controls the investment policy. For products where our clients control the investment policy, 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, which is updated monthly.

Where there are full economic sanctions that prohibit any financial dealings with a foreign state, including investment in entities operating under the authority of the foreign state, we will not invest in securities that fall within the sanctions. Certain products may apply additional exclusions, as outlined in the respective fund prospectuses.

Climate change

With regards to climate risk, RBC GAM is cognizant of applicable international conventions and treaties as well as standards. The Paris Agreement under the UN Framework Convention on Climate Change is one such item which is explicitly considered at a product level in some cases.

RBC GAM also supports the global goal of achieving net-zero emissions by 2050 or sooner. We expect all issuers, where climate represents a financially material risk, to report on how their practices and performance are aligned to the Paris Agreement.

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