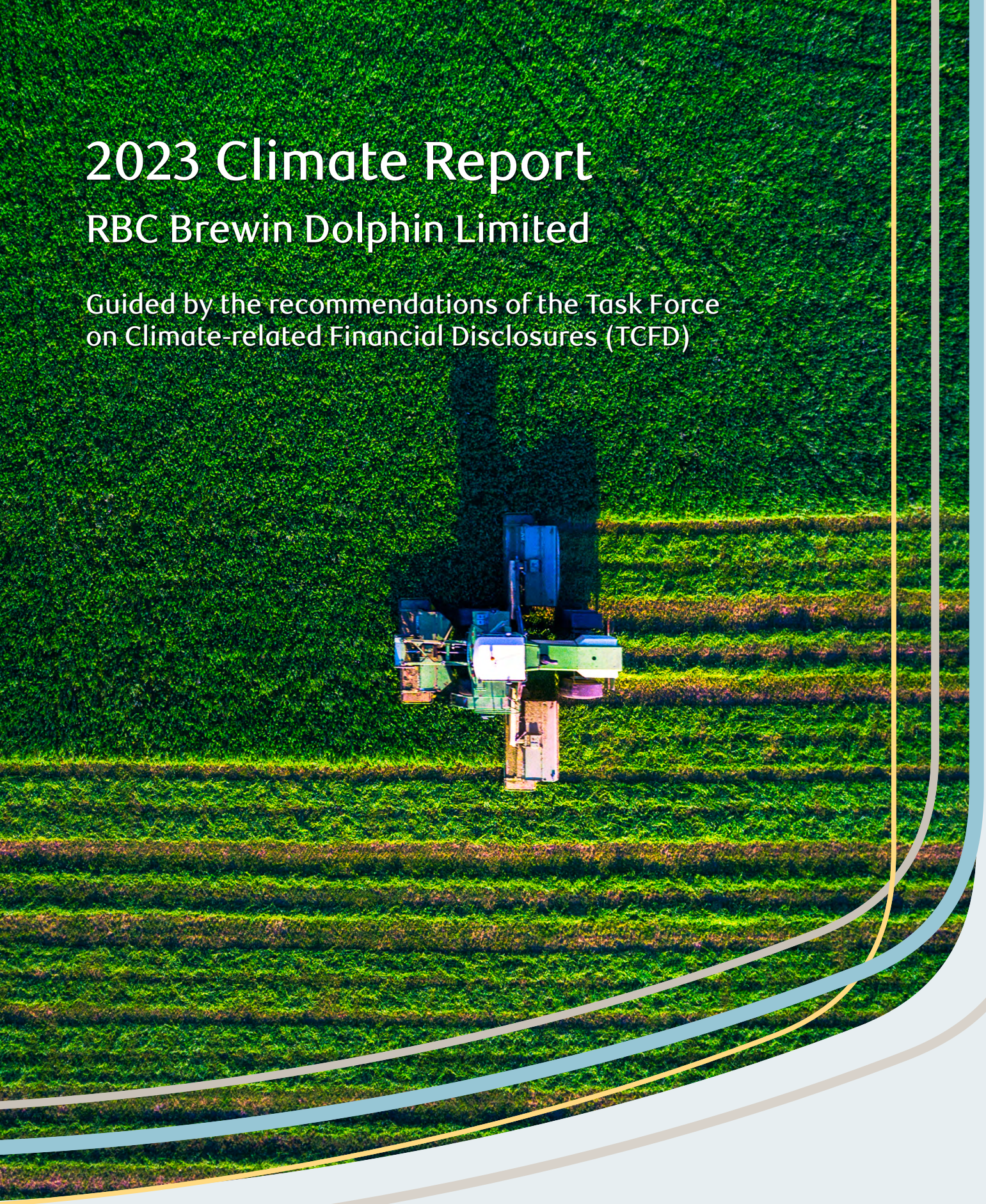
2023 Climate Report

RBC Brewin Dolphin Limited

Guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



RBC Brewin Dolphin

About this report

This is RBC Brewin Dolphin Ltd.'s (referred to as RBC BDL, we, or us) first climate report. It is guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is published in line with the regulatory requirements of the U.K. Financial Conduct Authority (FCA) Environmental, Social, and Governance Sourcebook (ESG Sourcebook).

In 2022, the Royal Bank of Canada (RBC) completed its acquisition of Brewin Dolphin (BD), and a large integration programme is currently underway. During this phase, businesses are continuing to operate under existing legal entities. Board and Senior Management oversight of climate-related risks are discharged through the structure outlined under the Governance section of this report to help ensure supervision and legal entity integrity during the transition. Where reference is made to BDL Board Committee oversight, this relates to the Brewin Dolphin Limited (BDL) Board Committee responsible for overseeing business operations booked into RBC BDL.

Reporting period

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

Currency and measurement

All amounts in this document are in British Pounds Sterling (£) unless otherwise noted. In some cases, values may not add up to totals due to rounding.

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A note from the Chief Executive

At RBC Brewin Dolphin Limited, managing climate-related risks is rooted in our approach to responsible investment. We believe the generation of long-term investment returns is underpinned by a proactive consideration of environmental, social, and governance (ESG) factors, including climate-related risks. This belief drives our approach to stewardship and aligns with our fiduciary duty to clients.

We are proud of our responsible investment track record, and we endeavour to make greater progress. As a firm, we are expanding the climate knowledge of our investment and stewardship teams and enhancing our climate data and analysis. This enables us to improve the quality of our responsible investment approach and make more informed decisions that help our clients protect and shape their financial futures.

We know many of our clients want to understand how their investments may be affected by climate-related risks, and what impact their investments have on climate change. We believe that transparency and accountability are important to achieving this goal. This is the purpose of the report, to detail our approach to managing climate-related risks and opportunities. It outlines our governance, strategy, and risk management approaches, and the metrics and targets we use to measure impact.

We hope you find it of value.

Robin Beer
Chief Executive Officer, RBC Brewin Dolphin

Note: This report has been reviewed and approved by RBC Wealth Management Europe's Head of Investments and the RBC European ESG Reporting Steering Committee, which includes the CEO, CFO and CRO of RBC Europe, among others.

The aim and scope of this report

This RBC BDL Climate Report 2023 aims to give our clients and other stakeholders an understanding of the exposure of our organisation and of our clients' investments to climate-related risks, climate-related opportunities arising from the transition to a low carbon economy, and our governance, strategy, and risk management approach to these risks and opportunities.

This report is in response to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which sets out guidelines for identifying, reporting, and monitoring material climate-related risks and opportunities.

Our approach to responsible investment

Our responsible investment approach is based on the two pillars of ESG integration and stewardship:

ESG integration

We believe that high-quality companies that manage ESG risks and opportunities well are more likely to make attractive long-term investments. Many of our clients own a combination of third-party funds and direct equities; hence, our team of analysts consider ESG factors when evaluating individual companies as well as when assessing and monitoring fund managers. We consider ESG risks and opportunities in all three components of our central research process; when considering industry dynamics and a company's positioning within it, when assessing the internal qualities that drive value creation, and within the valuation of the company.

Stewardship

We believe active engagement is important to being a responsible owner, particularly when linked to material issues that might affect the long-term value of our clients' holdings. RBC BDL is committed to being a good steward of our clients' investments, and to help enhance and protect their long-term value. We report on our activities annually and in September 2023, we were accepted as signatories to the UK Stewardship Code 2020, which sets high stewardship standards for those investing money on behalf of UK savers and pensioners.

As active owners, we undertake thoughtful engagement and voting to strive for better financial outcomes for clients. We believe collaborating with other aligned investors is a powerful way of influencing companies, regulators, and policymakers on priority issues. RBC BDL is involved in a number of collaborative engagement initiatives; we are members of Climate Action 100+, Nature Action 100, the Investor Forum, and use the Columbia Threadneedle reo® service as our specialist engagement provider.

Our overall investment approach

RBC BDL offers two types of investment solutions – bespoke and model-based. We provide bespoke portfolio solutions to clients through our Investment Managers across our branch network of over 30 offices. In addition, we have a centralised investment solutions team, which manages model portfolio solutions for our Investment Managers and for external financial advisors. Our investment selection process is informed by our in-house research team, which undertakes independent research across direct equities and funds, and maintains recommend buy lists. For bespoke portfolio solutions, our Investment Managers have discretion over the investment selection process for each of their clients, which may include investments in companies on our recommended buy lists. Our investment approach for bespoke portfolio solutions does not involve sector exclusions or screening unless this forms part of the client-directed mandate. We offer model investment solutions that seek to exclude investments in pre-defined sectors[1].

(1) These solutions invest in funds that seek to exclude companies involved in tobacco, controversial weapons, thermal coal, gambling, and adult entertainment. Involvement is defined as greater than 10% of sales/revenue. For more details see www.brewin.co.uk/intermediaries/sustainable-mps.

Our approach to climate change

RBC BDL recognises the importance of the global goal of achieving net-zero greenhouse gas (GHG) emissions by 2050 in order to mitigate climate-related risks. We consider material climate change issues in our ESG integration and stewardship processes for investments covered by our research process.[2]

Our approach to climate change provides details of our climate-related commitments and actions and is built upon our approach to responsible investment.

Our beliefs

- Climate change is a pressing issue that impacts issuers and the economies, markets, and societies in which they operate.
- Integration of material ESG factors, where applicable and inclusive of climate change, can enhance long-term financial performance.
- Stewardship can be an effective way for investors to drive real world, economy-wide emissions reductions, while also meeting our fiduciary duty to clients.

Our commitments

Global plans to reduce greenhouse gas emissions to net-zero by 2050 require significant change to our economies in our lifetime, a change that RBC BDL intends to support.

- Our investment teams integrate material climate change factors into their investment processes on recommended buy lists, where applicable[3].
- We analyse issuer and fund-level climate risks and opportunities for investments on recommended buy lists.
- We use stewardship to encourage the management of material climate-related risks and opportunities, where applicable.
- We collaborate with like-minded investors where interests are aligned.
- We provide transparent entity-level disclosures on climate change.
- RBC BDL properties are in scope of RBC's goal of reducing global emissions from its own operations by 70% compared to its 2018 baseline, and to increase sourcing of electricity from renewable and non-emitting sources to 100%, both by 2025[4].

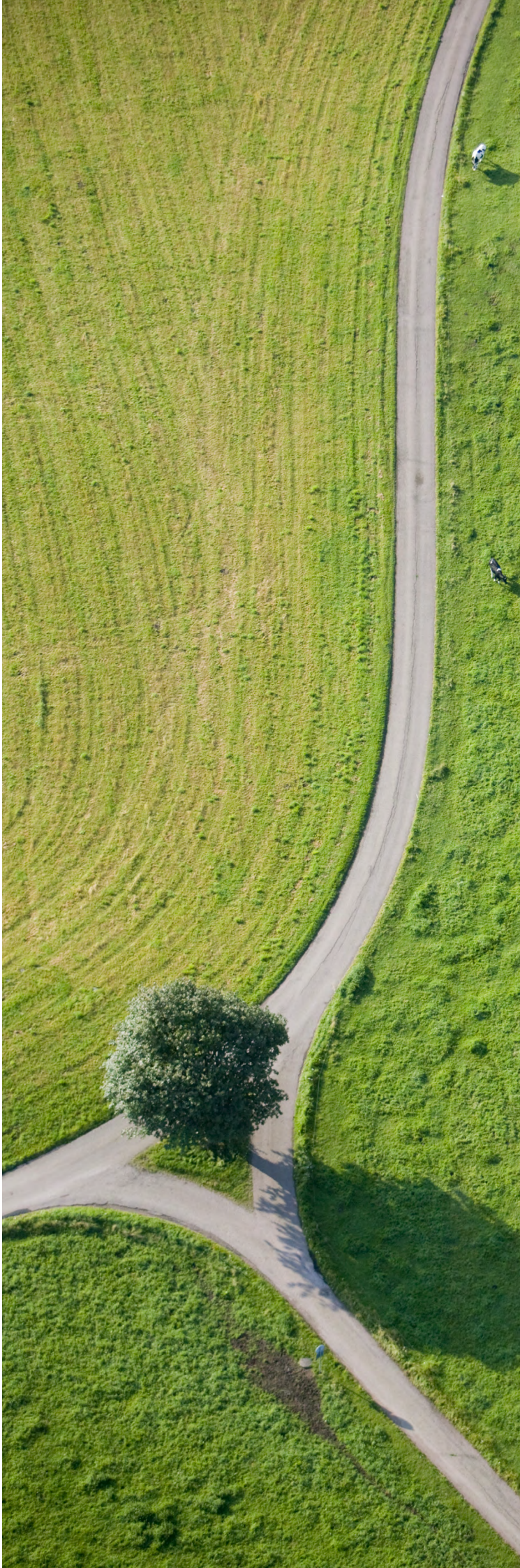
Our actions:

- We use a broad range of climate data and other inputs to integrate material climate factors into our central research process for applicable types of investments.
- We measure, monitor, and disclose the carbon emissions of our assets under management in this Task Force on Climate-Related Financial Disclosure (TCFD) report.
- Where appropriate, we share our views on climate change with issuers through proxy voting and direct and indirect engagement.
- We use the Transition Pathway Initiative (TPI) data set to assess our indirect exposure to high-emitting companies that are not adapting their strategies to align with international climate goals. We use this assessment to signal to our third-party fund managers the importance of considering climate-related risks and opportunities.
- We disclose our proxy voting records and highlight important votes and engagements via our Quarterly Stewardship Updates and Annual Stewardship Report.
- We are a member of Climate Action 100+ and Nature Action 100.
- We work closely with Columbia Threadneedle reo®, a collective engagement service that engages with issuers on our behalf on a range of systemic issues, including climate change.

(2) In this document, references to investments covered by our research process refers to direct equities and funds covered by our central research team. The central research team does not cover all assets held in RBC BDL's nominee. In addition, ESG factors are not integrated for all asset classes or security types. For example, certain passive, currency, or derivative instruments. In most, if not all, of these instances, there is no engagement with issuers by RBC BDL; (3) Applicable investments include direct equities and fund research; (4) The emissions reduction goal for RBC's global operations covers Scope 1, 2 (market-based) and 3 (business travel), and uses a 2018 baseline, as described in RBC's 2023 Climate Report. See the 2023 Climate Report for details on market-based emissions.

Climate change and nature-related risks

Nature-related risks, including those stemming from biodiversity loss, have historically been discussed separately from climate change. The United Nations Framework Convention on Climate Change (UNFCCC) focused on global warming, while the Convention on Biological Diversity (CBD) considered nature and biodiversity loss. There is growing recognition of the interconnections between climate change and biodiversity, and the potential materiality of nature-related risks to investments. See the Strategy section for information on the links between nature loss and climate change, and RBC BDL's perspective on nature-related risks.



What are TCFD recommendations

Operating under a mandate from the G20, the Task Force on Climate-related Financial Disclosures (TCFD) was launched in 2015 by the Financial Stability Board (FSB). Its remit was to develop recommendations for "consistent, comparable, reliable, clear, and efficient climate-related disclosures by companies", which "would enable investors, lenders, insurers, and other stakeholders to better understand the concentrations of carbon-related assets in the financial sector, and the financial system's exposures to climate-related risks."

The TCFD framework is comprised of four disclosure themes, underpinned by 11 disclosure recommendations.

Figure 1: TCFD disclosures and recommendations

1	2	3	4
Governance	**Strategy**	**Risk Management**	**Metrics and targets**
Describe the Board's oversight of climate-related risks and opportunities	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Disclose how the organisation identifies, assesses, and manages climate-related risks and how these are integrated into the organisation's overall risk management	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommendations	**Recommendations**	**Recommendations**	**Recommendations**
a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

1 Governance

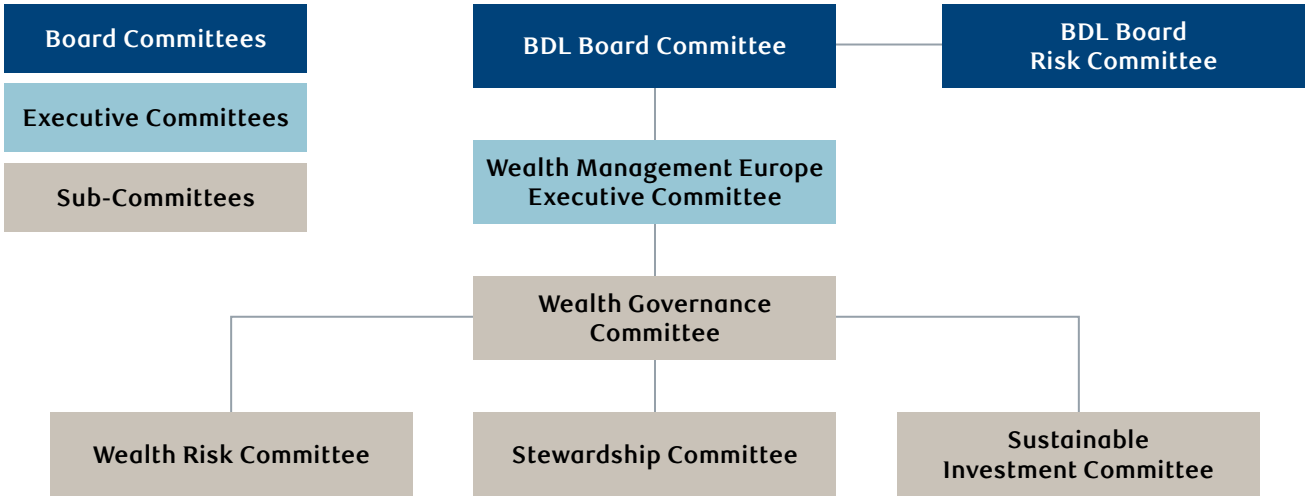
Disclose the organisation's governance around climate-related risks and opportunities.

1.1 Board oversight

Recommendation 1: Describe the board's oversight of climate-related risks and opportunities.

The BDL Board Committee (BDLBC) oversees the overall performance of RBC BDL, which includes strategic priorities related to responsible investment. The Board may consider climate-related issues as part of strategic, financial, or other business decision-making. The BDL Board Committee has overall responsibility for risk oversight and identification of principal risks, which include climate-related risks.

Figure 2: RBC BDL's governance oversight of climate change



1.2 Management's role

Recommendation 2: Describe management's role in assessing and managing climate-related risks and opportunities.

Responsible investment, which includes considering climate-related risks and opportunities, is a priority for RBC BDL. The Sustainable Investment Committee oversees RBC BDL's responsible investment offering and stewardship activities. The Stewardship Committee oversees RBC BDL's stewardship approach, stewardship activities, and stewardship reporting.

The RBC BDL Responsible Investment Statement outlines our approach to responsible investment within our investment philosophy. It demonstrates our commitment to supporting the UN-supported Principles for Responsible Investment (UN PRI), as well as the wider responsible investment agenda. The statement is reviewed by the Sustainable Investment Committee and the Wealth Governance Committee.

The Head of Investments chairs the Sustainable Investment Committee and reports quarterly to the Wealth Governance Committee on updates related to responsible investment, including climate change. The Head of Investments also updates the Wealth Management Europe Executive Committee (WMEEC), which is chaired by the CEO. The CEO reviews and reports annually to the BDL Board on all strategic priorities, which may include responsible investment.

The role and purpose of the WMEEC is to provide business and functional support for the oversight of RBC's wealth management business in the United Kingdom, Ireland, and Jersey. This helps to ensure that the business is aligned with the strategic objectives and enterprise risk appetite approved by the Board of RBC. The WMEEC acts as a key executive escalation and oversight forum for the Wealth Management Europe (WME) business operating through RBC BDL, and provides advice, counsel, and recommendations to the BDL Board Committee.

The Wealth Risk Committee is responsible for exercising Wealth Risk governance in relation to RBC BDL. The Wealth Risk Committee operates under delegated authority from the Wealth Governance Committee.

Executive management oversight responsibilities related to climate change include the following:

- The Chief Executive Officer (CEO) of RBC Wealth Management Europe oversees the performance of RBC BDL. The Head of Investments and the Chief Operating Officer (COO) report to the RBC WME CEO.
- The Head of Investments oversees the investment strategies, policies, and performance across RBC BDL. The Head of Research and Chief Strategist report to the Head of Investments. The Head of Investments is responsible for all responsible investment and stewardship activities across RBC BDL and the implementation of these strategies.
- The COO of RBC WME oversees operations and technology, including associated strategies, policies, risks, and initiatives across RBC BDL.

Teams with dedicated roles and responsibilities related to climate change include the following:

- The research team considers ESG factors, including climate change, when evaluating individual companies. The team believes that high-quality companies that manage ESG risks and opportunities well are more likely to make attractive long-term investments.
- When assessing third party managers, the research team analyses how ESG factors, including climate, are considered in the investment decision-making, and monitors the ongoing implementation of ESG integration and stewardship policies.
- The stewardship team sets priorities and leads our engagement and voting work. As stewards of our clients' investments, the team focuses on active ownership to ensure better financial outcomes for clients. We aim to engage companies and other organisations of influence to create long-term value, leading to sustainable benefits for the economy, the environment, and society.
- The Central Investment Solutions and Investment Strategy teams manage RBC BDL's central investment solutions and RBC BDL's overall investment strategy. They consider ESG factors, including climate change, when making investment decisions.

2 Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

2.1 Description of climate-related risks and opportunities

Recommendation 3: Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Introduction

RBC BDL has identified several risks and opportunities in the transition to a net-zero economy. These are both relevant to the investments we manage and impacts from operational activities. In September 2022, Brewin Dolphin Limited was acquired by the Royal Bank of Canada (RBC) and during 2023, work began to integrate the two firms across all areas, including climate strategy. Therefore, this report will contain both the efforts undertaken by RBC BDL and the approach that we will be aligning with as a part of RBC.

From an investment perspective, we believe we will best meet current and future client needs by engaging with the companies and funds we invest in. We have a responsible investment approach underpinned by a commitment to consider environmental, social, and governance factors in investment decisions. We have a spectrum of different approaches designed to meet the varying needs of clients. For certain products, we use carbon intensity metrics to measure portfolio exposure to carbon-intensive investments and to assess carbon risk.

The performance, goals, and reporting of operational greenhouse gas emissions is established as part of the climate strategy of RBC, which is inclusive of RBC BDL. RBC is committed to a goal of achieving net-zero in its operations by reducing global emissions from its own operations by 70% compared to its baseline year of 2018, and to increase its sourcing of electricity from renewable and non-emitting sources to 100%, both by 2025[5].

RBC procures renewable electricity through long-term power purchase agreements (PPAs) and other sources of renewable energy certificates (RECs)[6]. RBC believes this approach will help accelerate the decarbonisation of electricity grids in select areas where it operates, and stimulate the market for renewable energy by providing a financial incentive through RECs. RBC has emissions reduction plans for both leased and owned buildings in its property portfolio. RBC makes investments in smart building technologies and other energy-efficiency measures annually, and aims to upgrade heating, ventilation, and air conditioning equipment with systems that rely on electricity as these systems need to be replaced and where it has the opportunity to select this equipment. Further information on RBC emissions and on its targets to reduce emissions are noted under the Metrics and targets section in the 2023 RBC Climate Report.

Definitions and context

Climate risk is the risk related to the global transition to a net-zero economy (transition risk) and the physical impacts of climate change (physical risk), which includes both chronic (longer-term) risks (e.g., rising sea levels and increases in average temperatures) and acute (event-driven) risks (e.g., wildfires and floods).

We define climate opportunities as those arising from investment in resource efficiency, low-carbon energy sourcing, the development of new products and services, access to new markets and customers, and enabling business resilience.

Both we and our clients may be exposed to climate-related transition risk, including emerging regulatory and legal requirements, changing business and consumer sentiment towards products and services, technological developments, and changes in stakeholder expectations. Additionally, we and our

(5) See RBC's 2023 Climate Report for details on market-based emissions; (6) Renewable electricity is defined as energy produced from renewable sources such as hydroelectricity, wind, and solar. Non-emitting sources include nuclear power generation. The performance towards RBC's goal to achieve 100% renewable and non-emitting electricity consumption by 2025 is calculated based on grid mix data and the Renewable Energy Credits RBC either purchases from third-parties or receives from RBC's two renewable energy Power Purchasing Agreements (PPAs). A Power Purchase Agreement (PPA) is a long-term financial agreement between a renewable energy buyer and a renewable energy seller, where the buyer guarantees the seller a fixed price for renewable energy from the project. Entering into a PPA before the project is finalised helps the energy seller secure financing and supports the growth of renewable energy projects. A renewable energy certificate (REC) is a market-based instrument that is issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy source.

clients may be vulnerable to climate-related physical risk through disruptions to operations and services.

The 2015 Paris Agreement agreed on a collective ambition to limit the global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees compared to pre-industrial levels. However, climate-related risks and opportunities may manifest in different ways and over different time horizons depending on whether the world succeeds in reaching this goal and by which pathway that goal is achieved. We use a range of different scenarios, which use different assumptions on policy coordination and technology development, and assess that 'disorderly' climate scenarios yield significantly greater climate value at risk than orderly scenarios (See Figure 8).

Figure 3: Description of climate-related risks and opportunities[7]

Climate-related risks	
Transition risks	
Policy and legal	Policies aimed at constraining activities that contribute to climate change. Increased exposure to legal claims, such as failure to mitigate impacts of climate change or insufficient disclosure of material financial risks.
Technology	Technology improvements and initiatives that support the transition to a low carbon, energy-efficient economy.
Markets	Ways in which markets can be affected by climate change, such as shifts in consumer preferences.
Reputation	Changing stakeholder perception and expectations related to climate change.
Physical risks	
Acute events	Extreme weather events that include increased frequency and intensity of storms. This may cause increased coastal and inland flooding, disruptions to critical infrastructure, and mass migration.
Chronic impacts	Longer-term shifts in climate patterns, which may cause water stress and prolonged droughts, larger and more intense wildfires, heat waves, mass migration, and the spread of pests and infectious disease.
Climate-related opportunities	
Resource efficiency	Reducing operating costs from decreasing energy consumption or shifting to more energy-efficient resources or practices.
Energy source	Transitioning to no or low emission sources of energy.
Products and services	Developing new low emission products to capitalise on consumer preferences.
Markets	New market and investment opportunities arising from transitioning to a low carbon economy.
Resilience	Increasing organisation resilience as a result of improved efficiencies or climate-related adaptation measures.

(7) Adapted from Recommendations of the Task force on Climate-Related Financial Disclosures, and Implementation Guidance, October 2021.

2.2 Impact of climate-related risks and opportunities

Recommendation 4: Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

The following time horizons are used to give guidance on RBC BDL's assessment of when material risks and opportunities may be realised. Please note that this relates to our strategic time horizon for climate-related risks and opportunities. Our investment-focused time horizon varies on a client-by-client basis but is broadly aligned with these bandings.

Figure 4: RBC BDL investment time horizon

Time horizon	From (years)	To (years)
Short-term	0	5
Medium-term	5	10
Long-term	10+	

Investment risks and opportunities

We define investment risks and opportunities as those related to all activities that fall within the investment lifecycle. This includes investment operations, research, execution, and impact on client assets. Figure 5 below shows RBC BDL's climate-related investment risks.

Risks from investments

Figure 5: RBC BDL climate-related investment risks

Risk	Description	Timeframe	Impact	RBC BDL approach
Physical: Acute and chronic	Physical risk to investments that are event-driven, including increased severity of extreme weather events, and longer-term change in climate patters, including sustained higher temperatures	Short, medium, and long term, depending on geography and industry	Increased costs for RBC BDL to monitor; lower value of clients' investments	We will continue to develop how we assess physical risks linked to climate change as part of our centralised research process.
Transition: Policy and legal	Changes to policies and regulation that impact the value of client holdings	Depends on industry of investment; e.g., oil and gas – short term	Increased costs for RBC BDL to monitor; lower value of clients' investments	We monitor and track policy and regulation development as part of our centralised research process.
Transition: Technology	Inability to keep abreast with technological advancements when managing climate-related investments	Depends on industry of investment; - e.g., oil and Gas – short term	Increased costs for RBC BDL to monitor; lower value of clients' investments	We assess technological advancements and climate opportunities as part of our centralised process.
Transition: Reputation	The perception that we are not appropriately responding to climate challenges arising from the complexities of assessing climate risks in our investments.	Short to medium term	Clients feel misled by the marketing of our sustainable investment propositions leading to complaints, compensation pay-outs, and regulatory scrutiny/ sanctions. Lower confidence from existing and prospective clients leads to attrition and reduced revenue.	Governance and oversight measures are in place to help ensure that we design and market appropriate environmentally sustainable investment propositions. For the past three years, we have engaged with our third-party fund managers to assess our indirect exposure to high-emitting companies not adapting their strategies to align with international climate goals, as assessed by the transition pathway initiative (TPI). This gives us insight into how committed our fund managers are to reducing global emissions, which is demonstrated through their knowledge and stewardship work, for example how they have voted on climate resolutions.
Transition: Technology	Missing or incorrect data held in our core systems impacting how we action our climate change commitments and adhere to the carbon requirements in client investment portfolios.	Short term	Data integrity issues leading to complaints, compensation pay-outs, regulatory scrutiny/sanctions, increased costs, reduced revenue, and client attrition	We will undertake ongoing assessment and monitoring of climate data integrity in our core systems.
Transition: Markets	Climate change driving consumer preferences, leading to appetite for propositions that we do not offer	Short, medium, and long term	Client needs (e.g., net zero-aligned portfolios, voting transparency) not met, leading to lower value of clients' investments, reduced revenue, and client attrition.	We capture client needs and build an appropriate investment strategy. We will evolve how we monitor and evaluate consumer preferences as part of our research process.

Opportunities from investments

Figure 6 below shows RBC BDL's climate-related investment opportunities.

Figure 6: RBC BDL climate-related investment opportunities

Opportunity	Description	Timeframe	Impact	RBC BDL approach
Markets – New revenue channels	Expanding proposition to meet current and future client needs	Short term	Reduced risk of client attrition, greater net flow growth, increase in revenue – helping to ensure we stay relevant within the marketplace	Explore and develop new products and offerings to respond to a changing regulation/ investment universe, and to meet evolving need
Products and services – New investment opportunities arising from low carbon transition	Investing in new industries - e.g., low carbon cement	Short term	Helps ensure we stay relevant to clients and shareholders	Expanding our existing investment strategy and processes
Products and services – Influence stakeholders and regulators to drive policy change. Influence investees on climate change activities	Engaging on regulation, risks, and strategy	Short term	Make RBC BDL more attractive for existing and prospective clients – helping to ensure we stay relevant to clients and shareholders	Expanding existing stewardship and public affairs activities, oversight, and reporting

We define the risks and opportunities from operations as those that relate to the operational emissions, operational risk, and resilience of RBC BDL.

Operational risk is the risk of loss or harm resulting from people, inadequate or failed internal processes, controls and systems, or external events. Operational risk is inherent in all our activities and third-party activities, and failure to manage operational risk can result in direct or indirect financial loss, reputational impact or regulatory scrutiny, and proceedings in the various jurisdictions where we operate.

For metrics related to operational emissions, please refer to section 4.3.

RBC BDL may be impacted by more frequent and intense weather events as well as the pricing or availability of inputs such as energy, water, and financial loss protection (e.g., insurance). As a recently acquired entity, RBC BDL will align with RBC's operational risk approach as part of the wider legal entity integration.

In 2023, RBC updated its operational risk taxonomy to better identify operational risks that have weather-related root causes, including climate-related events, that may have an impact on the business. In addition, RBC continues to manage and assess climate-related impacts on operations by classifying and assessing critical environment locations based on its operational risk tolerance for downtime. This includes those resulting from climate-related factors such as exposure to flooding. The Business Continuity and Crisis Management programmes identify, analyse and prioritise a full range of threats, including extreme weather and other threats associated with climate-related risks. The Business Continuity Management Programme also requires business continuity plans to include recovery strategies, objectives, arrangements, tasks, and procedures for loss of third-party suppliers as a result of extreme weather events. To help ensure the delivery of critical business services through disruptions, RBC intends to continue to strengthen its comprehensive operational resilience capabilities, taking into account climate-related risks.

Opportunities from operations

RBC BDL sees opportunities arising from integrating climate considerations into operations. This includes cost reduction by shifting to more energy-efficient resources or practices, developing new market and investment opportunities arising from the transition to a low carbon economy, and an increase in organisational resilience due to improved efficiencies or climate-related adaption measures.

2.3 Climate-related scenario analysis

Recommendation 5: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We consider climate scenario analysis to be an important tool for better understanding a range of possible future states. It can inform investment decision-making and strategy for enhancing return on investment and reducing our clients' risk exposure, while also creating opportunities.

Scenario analysis looks at plausible future pathways of social and economic development that will lead to different outcomes based on certain variables and assumptions. These variables and assumptions include greenhouse gas emissions production, cost and uptake of technology, population growth, economic growth, energy supply and demand, and government regulations.

Given the range of input variables and assumptions taken, it is important to remember that the scenarios are not intended to be an accurate forecast of the future; scenarios provide an indication of the plausible impacts under each scenario.

Resilience of investments to climate-related risks and opportunities

RBC BDL assesses transition impacts and physical risks and opportunities on portfolios for different climate scenarios. RBC BDL analysis considers the Climate Value at Risk (VaR) of transition and physical risk scenarios for 1.5°C, 2°C and 3°C temperature pathways. To assess the impact of climate scenarios on an individual security or portfolio, scenario outputs must be translated into a measure of financial risk.

We use Climate Value at Risk (VaR) to determine the potential change in the valuation of a security or portfolio due to climate change, which is expressed as a percentage. Climate VaR is calculated by modelling the future costs and revenue for issuers due to policy risk, technology opportunities, and physical risks and opportunities. Financial modelling is then used to derive valuation impacts over time. Valuation impacts can be assessed at an aggregate level (Aggregated Climate VaR) or based on transition and physical risks and opportunities. (See Figure 8).

In 2023, RBC BDL conducted climate analysis on 46% (£15.9bn) of our assets in scope of reporting[8], covering equity and corporate fixed income asset classes across geographies.

Similar to RBC Global Asset Management (GAM), RBC BDL's climate scenario analysis uses transition scenarios recommended by the Network for Greening the Financial System (NGFS)[9]. The NGFS scenarios provide alternative views on long-term temperature targets, net-zero emissions targets, energy supply and demand, climate policy, and technology availability. The scenarios also vary in terms of whether the transition occurs in an orderly or disorderly manner. Orderly scenarios assume climate policies are introduced early and become gradually more stringent, whereas disorderly scenarios assume policies are introduced later and are less coordinated.

Figure 7 – Description of NGFS scenarios used for RBC BDL's Climate VaR analysis

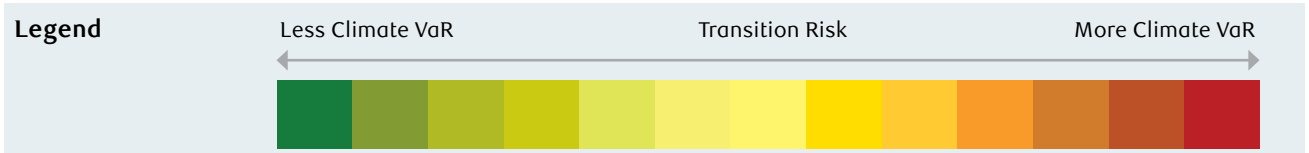
Orderly	**Net Zero by 2050** limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Some jurisdictions such as the US, EU, UK, Canada, Australia, and Japan reach net zero for all GHGs.
Disorderly	**Divergent Net Zero** reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors, leading to a more rapid phase-out of fossil fuel use and higher transition risk.
Orderly	**Below 2°C** gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
Disorderly	**Delayed Transition** assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.
Hot House World	**Nationally Determined Contributions** (NDCs) includes all pledged targets, even if not yet backed up by implemented effective policies.

(8) Asset in scope of reporting is £34.8bn. This is made up of corporate investments, which are equity and corporate fixed income (bonds). Climate scenario analysis was conducted on equities and corporate bonds assets only. This does not include sovereign fixed income assets. Our data coverage for scenario analysis is 46%. This is because close to 45% of RBC BDL's AUM are funds, and there are limitations on fund-level data available from MSCI's platform; (9) www.ngfs.net/en. Guidance from 2022.

RBC BDL measured the Climate VaR for hot house world, orderly, and disorderly transition scenarios. Overall, disorderly transition scenarios are found to pose a potentially higher financial risk to assets under management (AUM), although the energy sector, which is one of the largest global sources of greenhouse gas emission and has a high exposure to transition risk, is an exception across different temperature scenarios. Our analysis suggests the divergent net-zero scenario has the greatest impact on climate value at risk for AUM.

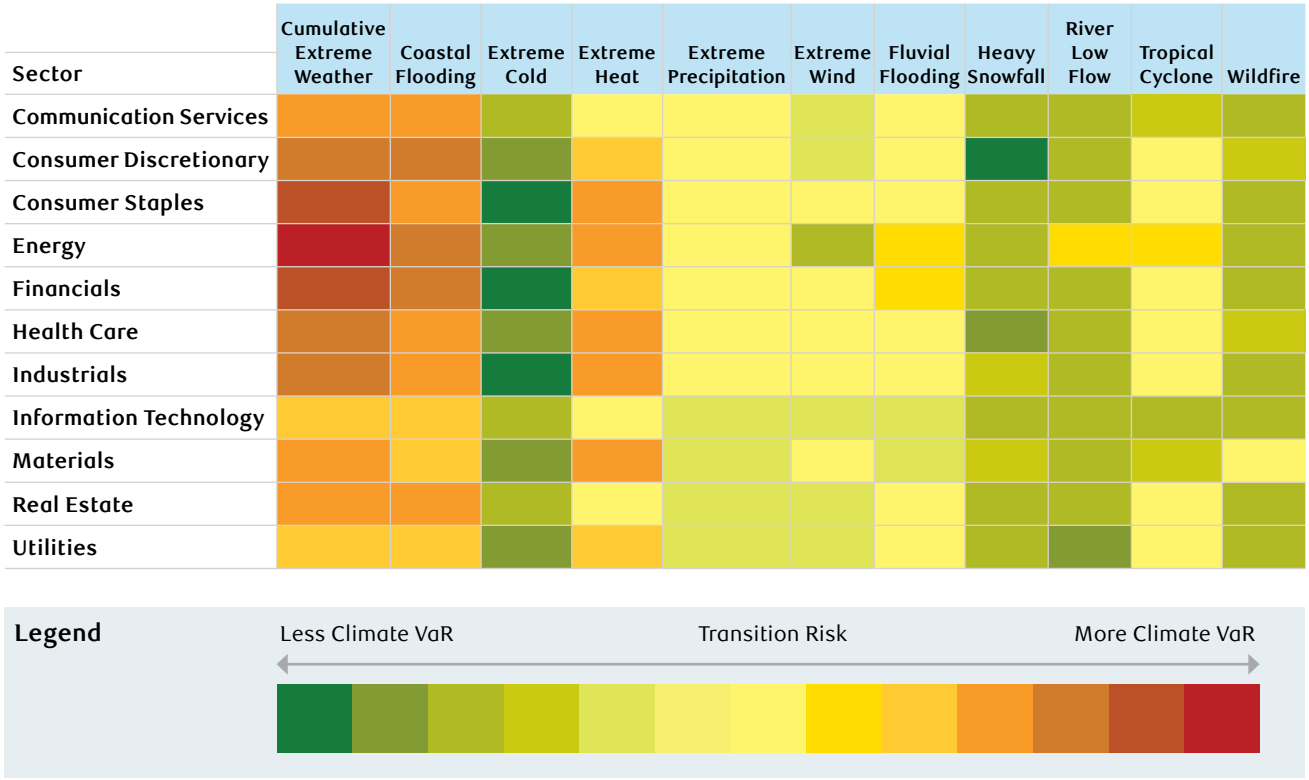
Figure 8 – Climate Value at Risk for transition risks and opportunities, for listed equity and corporate bonds holdings, by sector

	1.5°C		2°C		3°C
	Net Zero 2050	Divergent Net Zero	Below 2°C	Delayed Transition	NDC
Sector	Orderly	Disorderly	Orderly	Disorderly	Hot House World
Communication Services					
Consumer Discretionary					
Consumer Staples					
Energy					
Financials					
Health Care					
Industrials					
Information Technology					
Materials					
Real Estate					
Utilities					



RBC BDL measured the Climate VaR for ten natural hazards, including coastal and fluvial flooding, extreme heat, tropical cyclones, and wildfire. The sectors most exposed to physical risks are financials, consumer staples and energy. The natural hazards that pose the greatest risk across all sectors on valuations are extreme heat and coastal flooding.

Figure 9 – Climate Value at Risk for physical risk scenario, for listed equity and corporate bonds holdings by sector respectively



Climate change and nature-related risks

Climate change is a direct driver of biodiversity and nature loss. As temperatures rise, an increasing portion of species are at risk of extinction. The Intergovernmental Panel on Climate Change (IPCC) estimates that up to 14% of species in terrestrial ecosystems will likely face a very high risk of extinction, even if current efforts to mitigate climate change are successful. This figure increases to 29% if average global temperatures rise by 3°C from pre-industrial levels by 2100 and up to 39% if they rise by 4°C by 2100[10].

Nature and biodiversity loss exacerbate the negative effects of climate change. This is because healthy and biodiverse ecosystems play an important role in absorbing emissions and heat, thereby helping to mitigate climate change, as well as improving the Earth's ability to adapt to and be resilient to natural disasters. Due to nature's positive contribution to climate mitigation and its role in climate adaptation, there is growing interest from governments and the financial community in investing in nature-based solutions, which are activities that aim to protect and restore natural ecosystems. Climate adaptation and nature-based solutions were key themes at the COP28 climate conference in 2023 and the COP15 biodiversity conference in December 2022. In 2023, the Taskforce for Nature-related Financial Disclosures (TNFD) published a risk management and disclosure framework for defining and reporting nature-related risks and opportunities.

The TNFD defines nature-related risks as potential threats posed to an organisation that are linked to their (and wider society's) dependencies on nature and impacts on nature. These can derive from physical, transition and systemic risks. There are also nature-related opportunities, which are activities that avoid, reduce, mitigate, or manage nature-related risks or that actively work to reverse the loss of nature, including through restoration, regeneration of nature, and implementation of nature-based solutions[11]. Identifying and measuring these risks and opportunities continues to be difficult due to challenges with data quality, availability, and comparability.

Key definitions

Nature is defined as the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment (Diaz et al, 2015)[12]. It is made up of four realms – land, oceans, freshwater and atmosphere (TNFD, 2022).

Biodiversity is defined as the variability among living organisms from all sources, including terrestrial, marine, and other aquatic ecosystems. This includes diversity of species and ecosystems (CBD, 1992)[13].

RBC BDL's perspective on nature-related risks

Research teams consider material ESG factors as part of their investment decisions for applicable types of investments. In 2023, RBC BDL took steps to better understand how nature-related risks and opportunities relate to investments. This work is continuing in 2024, with a focus on evaluating the materiality of nature-related risks across sectors, and on evaluating data and tools to assess issuer-level exposure to these risks. Aligned with our views on collaborative engagement, RBC BDL joined Nature Action 100 in September 2023. Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

Moving forward, RBC BDL will focus on:

- Continuing to build knowledge and understanding of the potential material risks that nature loss, and biodiversity loss specifically, may pose.
- Identifying and assessing the materiality of nature-related risks to investments from the perspective of both impacts and dependencies, as defined by the TNFD.
- Continuing to work collaboratively with other investors on nature-related issues through industry initiatives and to engage with issuers on this topic, where relevant.

(10) IPCC Report 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability, Intergovernmental Panel on Climate Change (IPCC), Feb 2022; (11) Understanding nature' for market participants, TNFD Framework v0.3, Task Force for Nature-related Risks, Nov 2022; (12) www.sciencedirect.com/science/article/pii/S187734351400116X; (13) www.cbd.int/doc/legal/cbd-en.pdf.

3
Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks, and how these are integrated into the organisation's overall risk management.

3.1 Identification and assessment of climate risks

Recommendation 6: Describe the organisation's processes for identifying and assessing climate-related risks.

The investments we manage on behalf of our clients are our primary source of climate-related risks and opportunities. The following section focuses on the processes we have implemented to identify and assess these risks and opportunities.

Determination of materiality of climate-related risks

Climate change is a systemic risk that has the potential to affect the global economy. It is also a cross-cutting risk that may impact and amplify other principal risk types, such as investment risk, market risk, and operational risk. The impacts of climate change on specific markets, regions, and investments are complex, varied, and uncertain. Given this complexity, the determination of the materiality of climate-related risks and opportunities for different securities is left to individual analysts in the research team. Analysts specialise in asset classes and sectors allowing them to maintain a detailed knowledge of the key drivers for each. Analysts are supported by both internal and external research, such as Sustainalytics.

Process for identifying and assessing climate-related risks

RBC BDL supports the identification and assessment of climate-related risks in our investment decisions by building climate knowledge and expertise across the business, applying climate data, and considering the latest regulatory requirements and guidance.

Climate knowledge and expertise

Building knowledge and expertise on climate-related risks and opportunities in the research team, and the wider RBC BDL Investment Manager network, is important to our approach. Levels of prior understanding can greatly vary on this topic, so we have created advisory groups, networks and regular content updates to build capacity and knowledge.

Climate data and technology

Our analysts use climate-related data to aide their assessments of climate-related risks and opportunities. This includes climate data that is directly reported by companies, data collected from external datasets ((e.g. Transition Pathway Initiative (TPI) dataset)) or third-party research. As climate metrics and methodologies expand and evolve, we are continually reviewing the providers we work with to help ensure the most up to date coverage. With multiple investment offerings across different asset classes and investment vehicles, creating a central data pool of climate data at an issuer and portfolio level is a technological challenge. RBC BDL is working with the wider enterprise to expand data access and capabilities.

Consideration of existing and emerging regulatory requirements related to climate change

RBC BDL seeks to engage constructively on proposed emerging regulations related to environmental and/or social matters. We actively participate in several industry associations (e.g., the Investment Association (IA)), sometimes at board/committee level where appropriate (e.g., IA's Stewardship Committee). We believe that where interests are aligned, collaboration with like-minded investors can give us greater influence on issues specific to our investments and on broader, market-wide considerations.

3.2 Management of climate risks

Recommendation 7: Describe the organisation's processes for managing climate-related risks.

RBC BDL manages climate-related risks and opportunities by:

- Integrating climate-related risks and opportunities into our investment processes, for applicable types of investments and some of our top holdings[14].
- Analysing issuer and fund-level climate risks and opportunities, for applicable investments covered by our research process[15].

- Using stewardship, including engagement and proxy voting, to encourage effective governance oversight and management of climate-related risks for investments covered by our research process.
- Collaborating with industry peers and organisations to inform our approach and address key areas of opportunity or need.

RBC BDL generally does not exclude any particular investment or industry based on climate-related factors alone. However, we do offer specific strategies that apply exclusions, such as our Sustainable Managed Portfolio Service (SMPS) and our Responsible Progress portfolio. We also work with private clients and charities for whom this is important to provide solutions that meet their needs, which may include specific climate-related exclusions. While divestment is an option that investment teams may consider, our preference is to engage with issuers on material climate-related risks.

ESG integration

We believe that high-quality companies that manage ESG risks and opportunities well are more likely to make attractive long-term investments. We are signatories to the United Nations-supported Principles for Responsible Investment (PRI) and have adopted its six principles as our guide to fully integrating ESG issues into our work. As a systemic issue, climate change is central to this process. Many of our clients own a combination of third-party funds and direct equities; hence, our team of analysts considers ESG factors when evaluating individual companies as well as when assessing and monitoring fund managers.

Direct equities

Our equity analysts look beyond 'traditional financial' factors, and via our integration process, they aim to incorporate material climate-related risks and opportunities into their research and recommendations in a documented and consistent way. Their proprietary work is supported by company climate data from our external providers. Climate considerations will vary according to the company in question, as well as its sector and location. We will consider the risks and opportunities deemed material in each circumstance.

Fund selection and monitoring

Within our research team, our analysts will examine the ESG integration and stewardship capabilities of each fund manager and its fund house as part of the recommendation and monitoring process. Our ESG due diligence covers four broad sections: firm culture and commitment to responsible investing; ESG analysis integration in investment philosophy and process; active ownership; and reporting.

This process applies to active fund types that we add to our buy list. The research team regularly monitors the funds we recommend, holding at least two meetings per year. We meet with passive managers on an annual basis to specifically discuss their stewardship approach, which includes climate-related engagements and voting, and this information feeds into our fund selection process.

We have a separate socially responsible investing (SRI) list of third-party funds that aim to deliver attractive financial investment returns while contributing positively to global environmental and social challenges, such as climate change. Please refer to our responsible investment statement for more information.

Stewardship

We are committed to being a good steward of our clients' investments, to help enhance and protect their long-term value. For investments covered by our research process, we monitor and engage with company management on priority material issues that impact the value of our clients' assets, which may include climate change. We convey our views on climate change through thoughtful proxy voting and engagement with issuers and funds for applicable investments.

Our approach to direct engagement

We believe active engagement is key to being a responsible owner, particularly when linked to material issues that might affect the long-term value of our clients' holdings, such as climate-related risks and opportunities. These could include concerns about the company's strategy, performance, governance, remuneration, or approach to risk, and severe controversies including those that may arise from social and environmental matters.

Given the nature of our business, many of the ultimate investment decisions are made by our community of Investment Managers and, in some cases, directly by their clients. We cannot meaningfully engage with every company in which we invest, and therefore prioritise our engagements, considering PRI guidance for different asset classes.

(14) Applicable investments defined above as investments covered by our research process. This equates to 77% of discretionary AUM across equities and funds; (15) Applicable investments defined above as investments covered by our research process.

Direct engagement activity

Our engagement activity in 2023 has been broad in its scope, covering a variety of asset classes and topics.

The two most notable engagements with respect to climate in 2023 were with BP and Shell. As one of the UK's largest wealth managers, these two companies form a key part of our investable universe, and this is reflected by our large direct equity holding in each. They are also the companies that drive much of our exposure to climate-related risk. As such, how we engage with these companies is an important component of how we manage our exposure to climate-related risks. For further information on the firm's engagement with BP and Shell, please refer to our Stewardship Report.

Our climate-related engagement programme for our third-party funds centres on work from the Transition Pathway Initiative (TPI). Each year, we use the TPI dataset to assess our indirect exposure to high-emitting companies that are not adapting their strategies to align with international climate goals, and we conduct relevant engagements with fund managers that hold these companies. Further information on the firm's engagement with third-party fund managers can also be found in our Stewardship Report.

Additionally, we have implemented a controversy tracking initiative. This enables our specialist fund research analysts to work with the managers of our buy-list funds to help ensure that companies we are indirectly exposed to are correctly monitored and engaged with where appropriate. This year, this resulted in a key climate-related engagement with respect to the holders of Volkswagen. Details can also be found in the Stewardship Report.

Throughout 2023, we also held meetings with 11 of our largest passive managers. These meetings covered topics such as stewardship resources, approach to engagement and voting, and specific issues identified by our controversy tracking process. Critically, climate and the approach to net-zero were covered in all these meetings; it was one of the main agenda items. Through our discussions, we identified clear differences in the strength of stewardship processes in place and provided relevant feedback.

Proxy voting policy

When we act as a discretionary investment manager, we are, in most cases, the 'legal owner' of the investments. Because of this, we have the right and responsibility to vote on behalf of our clients (the 'beneficial owners') in respect to their investments held via our nominee companies. In line with our engagement activity, we prioritise our voting activity according to the size of our holdings.

Where we (rather than our clients) vote, our research team considers all contentious proposals at each core holding individually and reviews the recommendation of our third-party proxy research service provider, ISS, based on its Sustainability Policy recommendations. We also receive its default recommendations to give us a full picture. Our research team's decision is final, and we do not necessarily follow ISS's advice or the investee company's management recommendation.

While we do not have set voting policies, we have put together guidelines on how we will approach certain proposals. Ultimately, the voting decision will be made by the analyst and, where necessary, the stewardship team based on all available information.

The guidelines followed by RBC BDL are outlined in our Stewardship Report.

Industry collaboration

We believe collaborating with other aligned investors is a powerful way of influencing companies, regulators, and policymakers on priority issues. We acknowledge the value of collective engagements, understanding that our influence is sometimes limited by our size. By joining forces with other investors with the same objectives, we can increase our chances of securing a positive outcome. These collaborations are with:

- Columbia Threadneedle reo® – as a service provider
- The Investor Forum – as a member
- Climate Action 100+ – as a member

For further information on these collaborations, please refer to our Stewardship Report.

3.3 Investment risk management and climate change

Recommendation 8: Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The research team has primary responsibility for identifying, assessing, and managing climate-related risks for applicable types of investments. The research team's work in this area is overseen by the Sustainable Investment Committee, which feeds into the wider governance structure as described in Section 1 of this report.

4

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

4.1 Climate-related metrics

Recommendation 9: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

This is the first time that RBC BDL has reported on the carbon emissions[16] of our assets under management. We endeavour to provide key climate-related metrics that align with established and emerging best practices.

In this report, climate-related metrics are provided for 76% (£34.8 billion) of RBC BDL's total AUM, as of December 31 2023.

Summary of key climate-related metrics

The climate-related metrics and discussion provided in this section apply to 76% (£34.8 billion) of assets under management[17]. Assets that are not included in the scope of analysis are government bonds[18], cash and equivalents, derivatives, commodities, and private investments. These assets are excluded from this analysis primarily due to limitations in data availability, inapplicability of methodologies, and/or minor financial materiality to the overall AUM.

Due to the nature of our business, many of our clients own third-party funds. Fund-level metrics for third-party funds are sourced directly from MSCI or aggregated from look-through data. Certain metrics, such as the scenario analysis metrics and carbon intensity, are not available at a fund level through MSCI; therefore, the data coverage is lower for these metrics. We have sourced look-through data for our top holdings to improve coverage for these metrics, but have been unable to do so for the entire book due to technology and data limitations. We hope to increase the percentage we can cover in the future.

Coverage figures for funds reflect whether data is provided by MSCI or not, this data may be reported or estimated. To be conservative, we assume all fund-level data provided by MSCI is estimated.

To provide increased transparency and context, the data coverage percentage for each metric is provided. Consideration of the data coverage percentage should be taken alongside the value of all metrics.

(16) In this report, references to carbon emissions refers to CO2 equivalents (CO2 eq.), which is inclusive of all GHG emissions; (17) See Appendix 1 for scope of analysis. The research team does not cover all the securities in scope, nor are all the securities covered by the research team in scope for this report; (18) Some funds that we have not conducted look-through analysis on, but are in scope, may contain sovereign bonds. As part of MSCI's fund-level aggregated metrics, values for carbon emissions may be included for these sovereign bond holdings; (19) Look-through data sourced from Morningstar.

Table 1: Key climate-related metrics for RBC BDL assets in scope of analysis

Equity, corporate bonds and funds			
AUM in scope of analysis	Climate metrics are calculated for 76% (GBP £34.8 billion) of RBC BDL AUM		
Data reporting period	December 31 2023		
Calculation date	All holdings and climate data is calculated as of December 31 2023		
Data coverage	Carbon emissions data coverage is available for 86% (GBP £30.0 billion) of AUM included in the scope of analysis. Of this, 42% is reported carbon emissions data, 44% is estimated emissions data, and 14% have no available data. Reported and estimated carbon emissions data is from MSCI®.		
Key climate-related metrics			**Data coverage (%)**
Carbon emissions (Scope 1 and 2)	Financed emissions	1.7 mt CO2 eq.	86%
	WACI (Weighted Average Carbon Intensity, by sales)	89 tCO2 eq./£m Sales	
	Emissions/£m invested (carbon footprint)	53 tCO2 eq./£m invested	
	Carbon intensity	122 tCO2 eq./£m Sales	45%
Investment in issuers with climate targets, % AUM	% AUM invested in issuers with verified or committed SBTi targets	41% (GBP £14.2 billion)	94%
	% of AUM invested in issuers with a carbon emissions reduction target (Science Based Targets initiaive (SBTi) and other)	62% (GBP £21.5 billion)	
Tempertaure alignment	Implied Temperature Rise	2.1°C	90%
	% of AUM aligned with an Implied Temperature Rise of below 2°C	48% (GBP £16.6 billion)	
Aggregated Climate Value at Risk (VaR) (policy risk + transition opportunity + physical risks and opportunities)	Aggregated Climate VaR (Net Zero by 2050)	-6.73%	46%
	Aggregated Climate VaR (Divergent Net Zero)	-9.30%	
	Aggregated Climate VaR (Below 2°C)	-2.92%	
	Aggregated Climate VaR (Delayed Transition)	-5.64%	
	Aggregated Climate VaR (NDC)	-3.40%	

In this section, holdings have been aggregated into portfolios based on asset type and issuer country of risk, and compared to a representative comparator (comp).

Table 2: Scope of analysis for climate-related metrics, by asset class and geography[20]

Portfolio (port.)	AUM		Representative comparator (comp.)
	GBP (billion)	% data coverage	
UK Equities	£8.7	92%	Vanguard FTSE U.K. All Sh Id UnitTr Inst
Overseas Equities	£21.9	90%	Vanguard FTSE Dvlpd World ex-UK Eq Index
Corporate Bonds	£3.3	49%	Vanguard Global Corporate Bond Index
Global Property	£0.8	82%	Amundi Index FTSE EPRA NAREIT
Total	**£34.8**	**86%**	

(20) Data values for the representative comparators are sourced from index funds tracking the specific indices listed above.

Carbon emissions analysis

Carbon emissions analysis provides a view on the relative exposure of portfolios, sectors, and issuers to climate-related transition risks such as policy, market, and technology risks. It also provides a view on the absolute and relative contribution of a portfolio, sector, or issuer to global emissions and, by extension, to climate change.

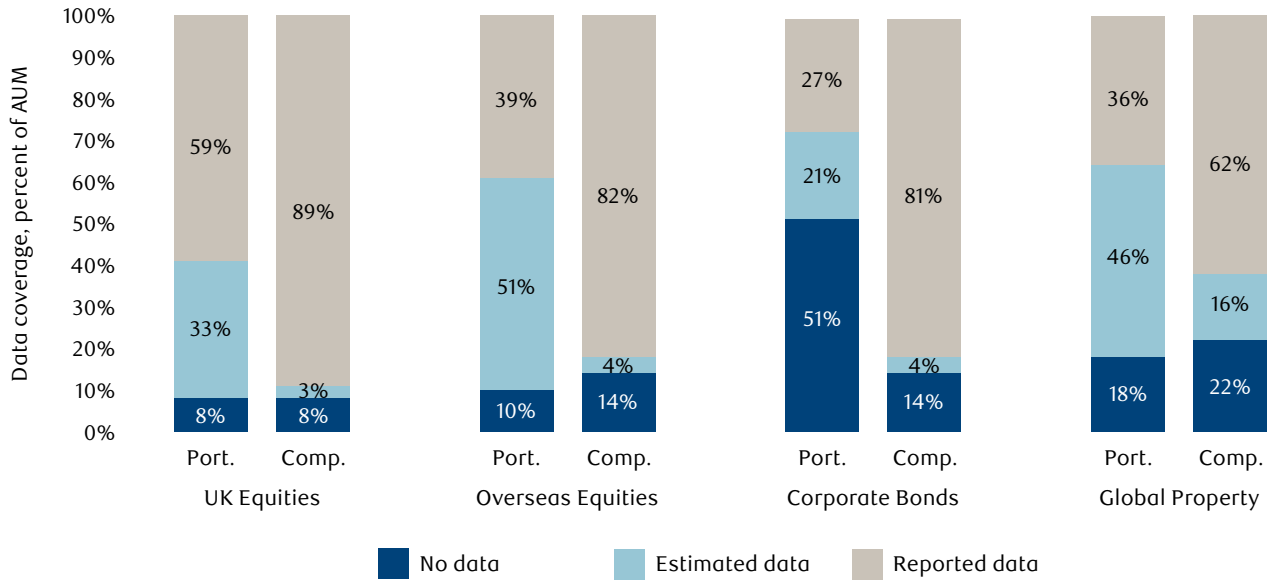
We believe that carbon emissions analysis is an important foundational element for assessing climate-related risks and opportunities and serves as an input to forward-looking analysis. Carbon emissions analysis is, however, a static and backwards-looking metric in that it provides a view on what an issuer's emissions have been, which is not necessarily reflective of what they will be in the future. Importantly, carbon emissions analysis does not reflect what actions an issuer is taking or will be taking to manage or mitigate potential climate-related risks, or to capitalise upon opportunities.

Carbon emissions analysis in this report is inclusive of issuers' Scope 1 and 2 emissions. As there continue to be challenges in the quality and consistency of Scope 3 emissions estimation methodologies, and concerns regarding double-counting of emissions when aggregating emissions at a portfolio level, we do not include issuers' Scope 3 emissions in the carbon emissions analysis provided here. We continue to evaluate and assess data quality and availability to address this.

Carbon emissions data coverage is higher for equities vs corporate bonds, with the lowest percentage of reported or estimated emissions data in corporate bonds (see Figure 10).

Figure 10: Carbon emissions data coverage, by asset class and geography[21]

As at 31 December 2023



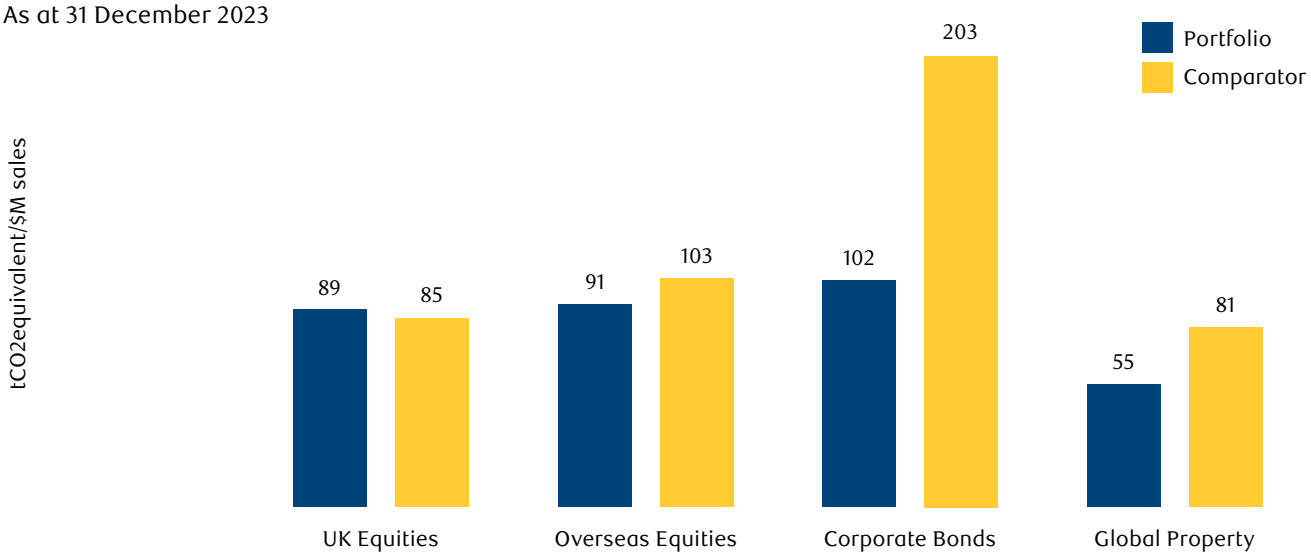
(21) Port. is the shorting for portfolio and comp. is the shorting for comparator.

The Weighted Average Carbon Intensity (WACI) of a portfolio indicates how efficient it is at using carbon emissions to generate a unit of output (e.g., sales), and provides a view of the exposure to carbon intensive issuers for the related portfolio.

The WACI (by sales) of our equities is in line with their representative comparator. The UK Equities portfolio, as of the calculation date, has a marginally higher WACI (by sales), resulting from concentrated exposures to higher carbon-intensive issuers.
For Corporate Bond portfolios, WACI (by sales) is significantly lower than the comparator, due to lower data coverage for our corporate bond holdings vs the comparator (see Figure 11).

Figure 11: Weighted Average Carbon Intensity, by sales (inclusive of scope 1 and 2 emissions), by asset class and geography

As at 31 December 2023



Data type	Port.	Comp.	Port.	Comp.	Port.	Comp.	Port.	Comp.
Estimated	35%	3%	55%	4%	31%	4%	56%	16%
Reported	62%	89%	42%	82%	40%	81%	43%	62%
Total Data Coverage	98%	92%	97%	86%	71%	86%	99%	78%

Table 3: Carbon emissions metrics, by asset class and geography

As at 31 December 2023

	UK Equities		Overseas Equities		Corporate Bonds		Global Property	
	Port.	Comp.	Port.	Comp.	Port.	Comp.	Port.	Comp.
Data coverage (%)	**92%**	**92%**	**90%**	**86%**	**49%**	**86%**	**82%**	**78%**
AUM (£GBP Billions)	**£8.7**	-	**£21.9**	-	**£3.3**	-	**£0.8**	-
Weighted average carbon intensity (tCO2eq./£m sales)	89.5	84.7	91.4	103.4	102.4	203.0	54.6	80.7
Financed emissions (MtCO2 eq.)	0.6	-	1.0	-	0.1	-	0.0	-
Carbon emissions/£m invested (tCO2eq./£m)	70.3	68.5	48.1	43.4	54.6	61.9	7.3	7.7
Carbon Intensity (tCO2 eq./sales)	127.4	115.2	76.6	106.9	37.9	140.9	35.1	83.0

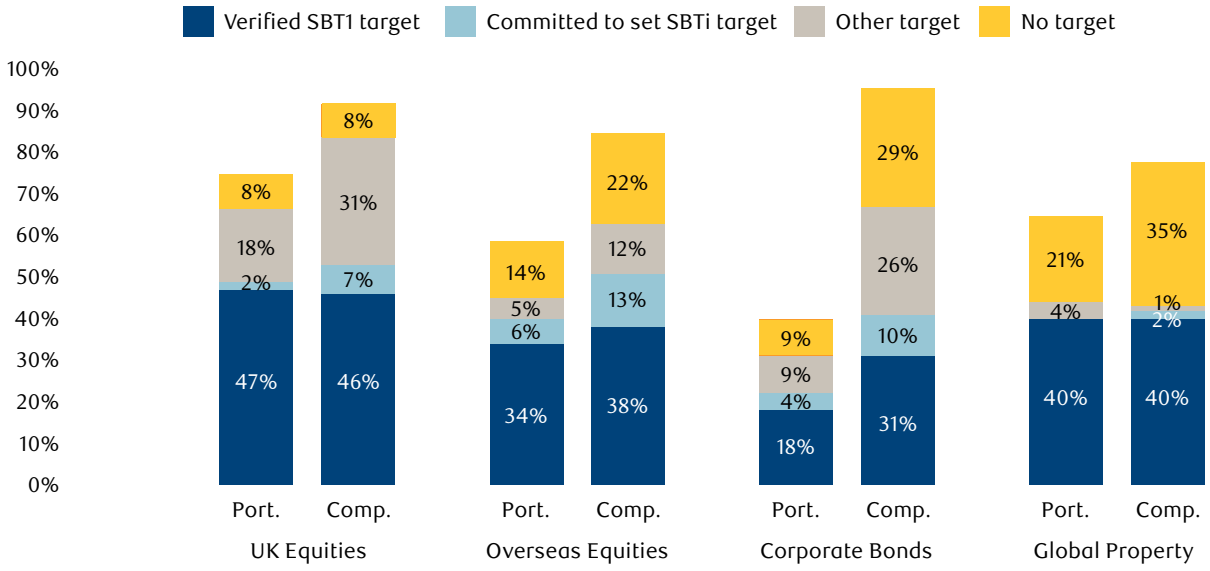
Investments in issuers with climate targets

In addition to the carbon emissions of portfolios, we also consider our investment in issuers that have set carbon emissions reduction targets (climate targets). As discussed above, carbon emission analysis provides a current view of potential exposure to climate-related risks, but does not consider the actions companies are taking, or are committed to taking, to reduce emissions over time. Assessing reduction targets allows us to get a forward-looking view of the relative level of commitment and expected trajectory of emissions for portfolio companies.

41% of assets are in issuers with verified or committed science-based targets (based on SBTi targets).
62% of assets are in issuers with a carbon emissions reduction target (includes SBTi verified and committed targets, and other climate targets).

Carbon emission reduction targets can vary significantly based on the scope of emissions included, the ambition of the emissions reductions, and the company's likelihood of achieving the target. It is for this reason that targets that meet an established standard are preferable from a comparative and consistency perspective. RBC BDL utilises the work of SBTi (the Sciened Based Targets initiative) in this respect. SBTi provides a publicly available database of companies that have verified science-based and/or net-zero targets, and of companies that have committed to setting an emissions reduction target within 24 months. RBC BDL also recognises, however, that not all issuers may choose to apply a voluntary standard such as the one established by SBTi. For this reason, we also track and monitor AUM invested in issuers with any carbon emissions reduction targets (other targets). (See Figure 12).

Figure 12: Percent of AUM invested in issuers with a climate target, by asset class and geography



Data coverage (%)	UK Equities	Overseas Equities	Corporate Bonds	Global Property
Port.	76%	59%	41%	65%
Comp.	92%	86%	96%	78%

Across geographies, equities have a higher percentage of investment in issuers with a verified or committed science-based target (based on SBTi targets) than corporate bonds. Additionally, our UK equities have higher percentage than overseas equities. These results are in line with the SBTi Progress Report, which identifies the UK as a region with higher penetration of SBTi targets.

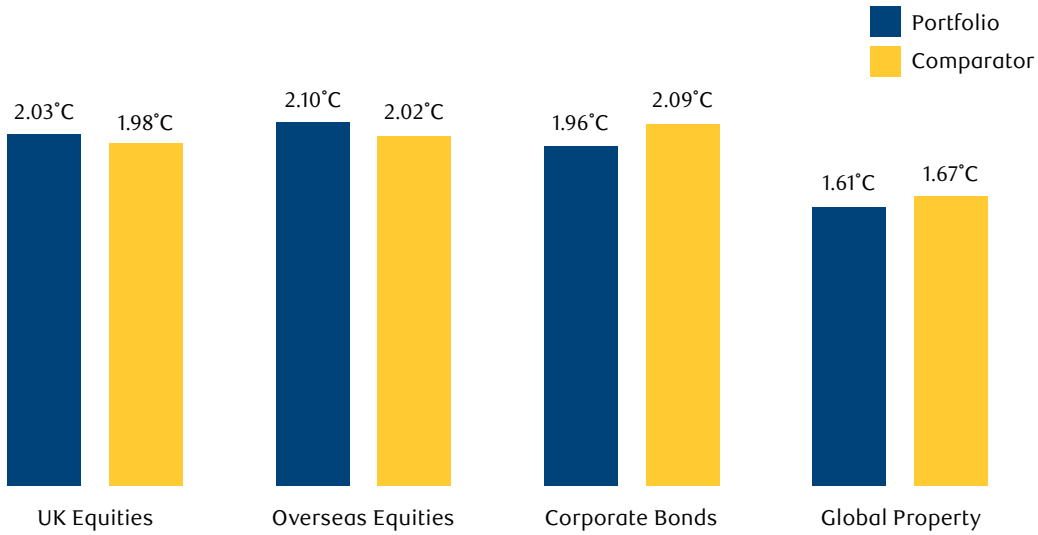
Temperature alignment

The Implied Temperature Rise (ITR) is a modelled, forward-looking metric that indicates what the global average temperature increase would be in 2100 if the global economy looked like that issuer or portfolio. As this metric takes into consideration both the carbon emissions of issuers, and their expected reduction in emissions due to their published emissions reduction targets, it may provide an indication of the alignment of an issuer or portfolio to a particular temperature pathway.

Currently two asset classes have an ITR below 2°C (see Figure 13).

Figure 13: Implied Temperature Rise, by asset class and geography

As at 31 December 2023

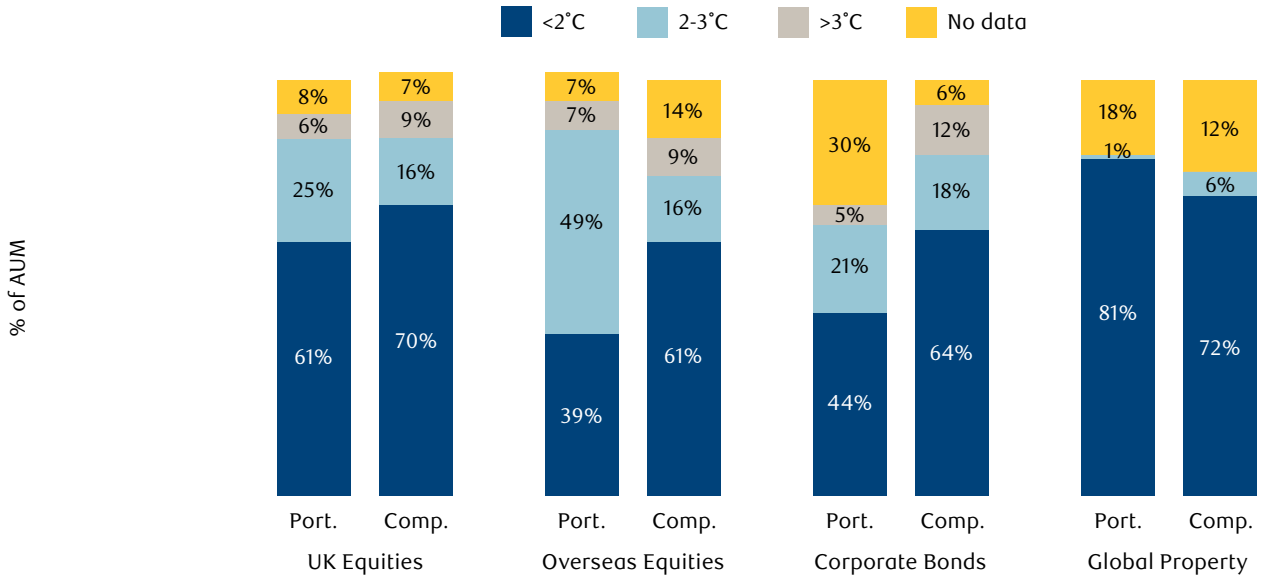


Data coverage (%)	UK Equities	Overseas Equities	Corporate Bonds	Global Property
Port.	92%	93%	70%	82%
Comp.	93%	86%	94%	78%

We also assess the distribution of ITR across asset classes. We are especially interested in a temperature alignment of below 2°C, as this aligns with the goal of the Paris Agreement. Across equity portfolios, between 39% and 61% of AUM is invested in issuers with an ITR below 2°C. Across corporate bonds, 44% of AUM is invested in issuers with an ITR below 2°C (see Figure 14).

We intend to develop this analysis further by improving our technology capabilities. Currently, we only have access to an aggregated ITR value for third-party funds. Without look-through data, we assume that all the fund's AUM has the aggregated ITR.

Figure 14: Percent of AUM invested in issuers, by temperature range, by asset class and geography



Data coverage (%)	UK Equities	Overseas Equities	Corporate Bonds	Global Property
Port.	92%	93%	70%	82%
Comp.	93%	86%	94%	78%

Climate opportunities

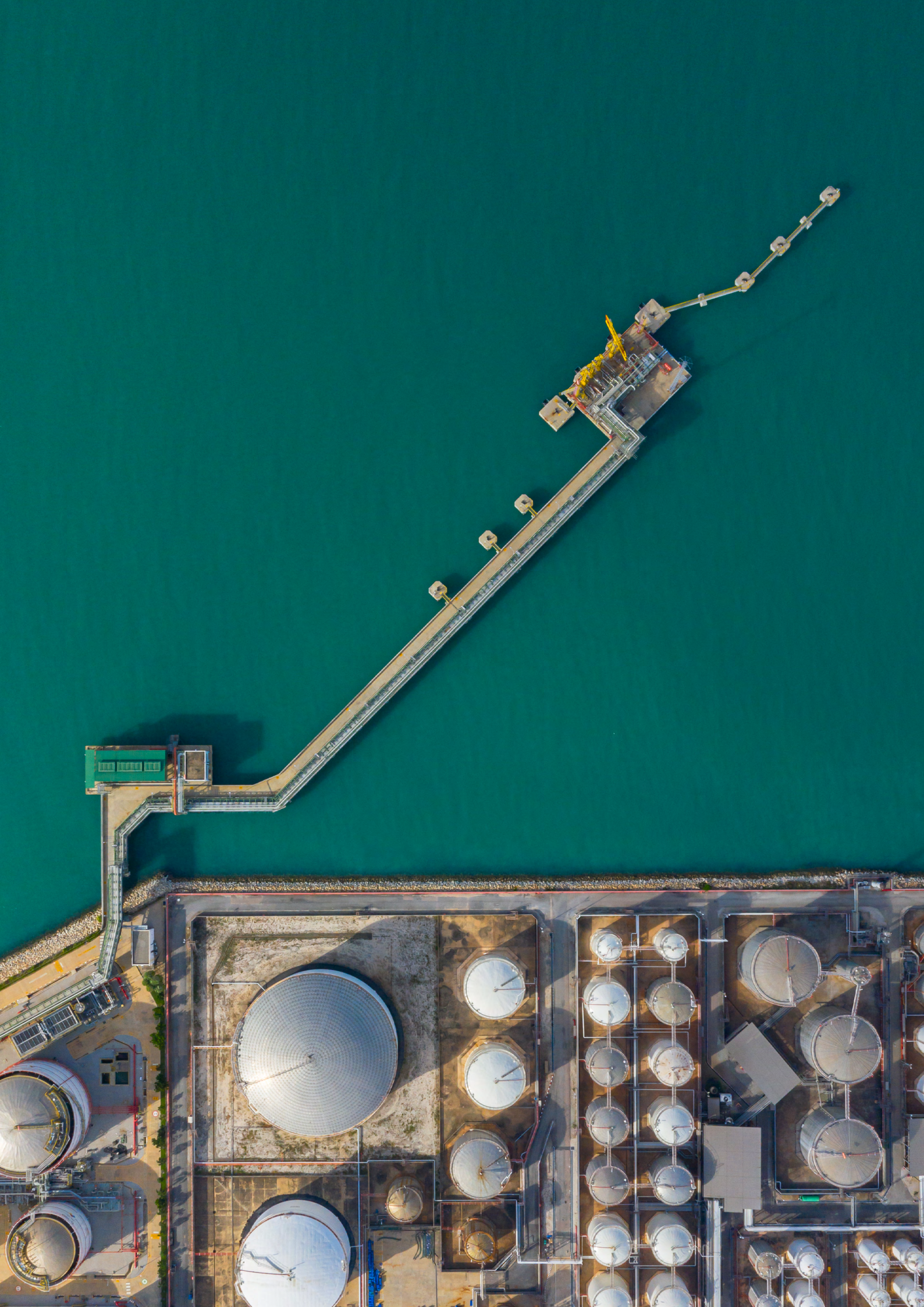
RBC BDL considers the exposure of investments to climate opportunities on a case-by-case basis as part of the research process, for applicable types of investments. We evaluate climate opportunities by assessing the percentage of green revenue earned by issuers and the identification of issuers that provide climate solutions[22].

3% (£938 million) is invested in issuers that provide climate solutions.

7% (£2.4 billion) is invested in issuers with more than 10% green revenue. 18% (£6.1 billion) is invested in issuers with some green revenue (more than 0%).

These numbers are driven by exposures to technology companies in the US and European industrials.

(22) Green revenue is the percentage of AUM invested in issuers with revenue (at stated threshold levels, e.g., 10% revenue) from the following sources: alternative energy + energy efficiency + green buildings + pollution prevention + sustainable water + sustainable agriculture.



4.2 Operational emissions

Recommendation 10: Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.

Greenhouse gas emissions

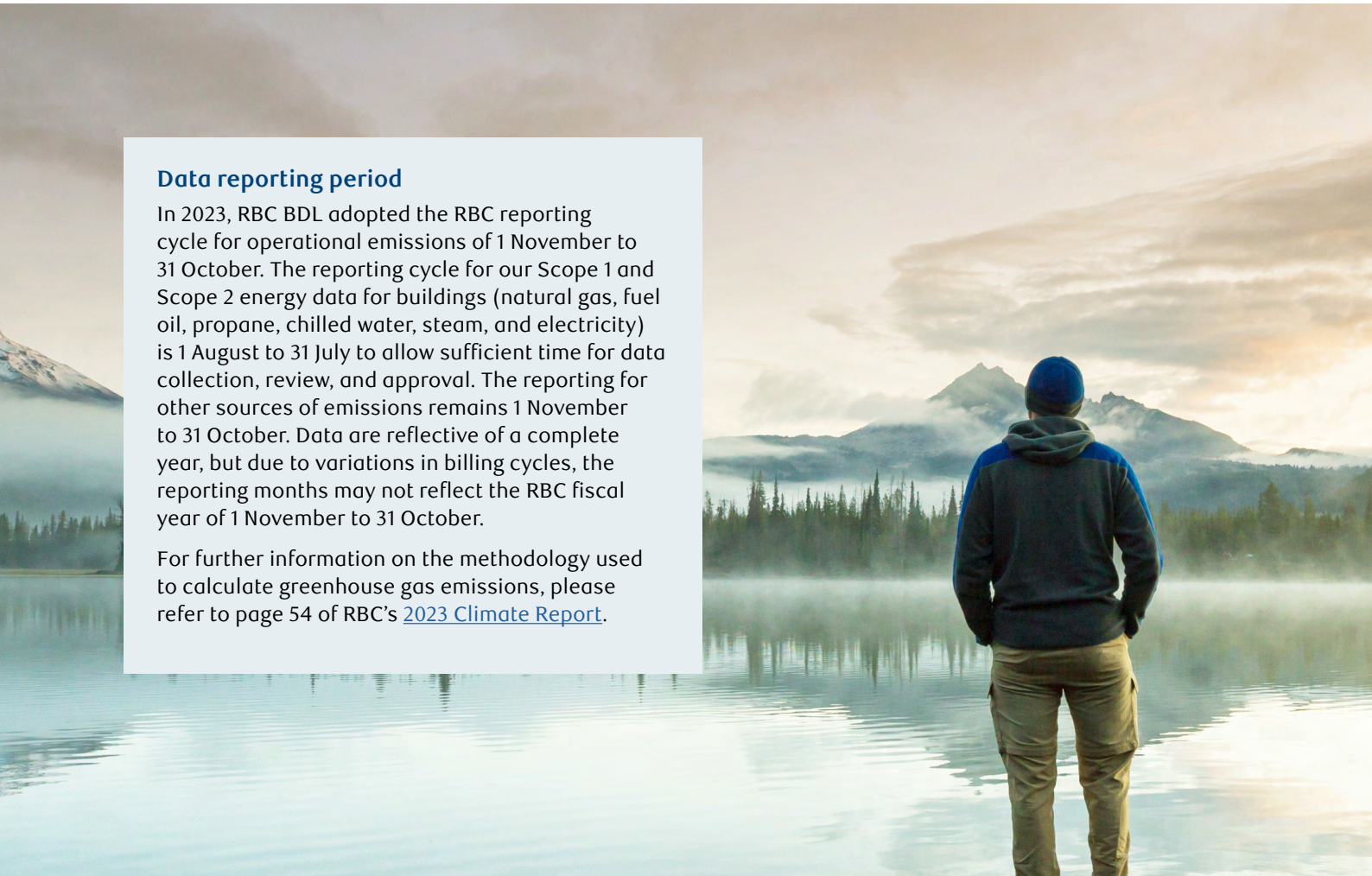
RBC BDL's greenhouse gas emissions and energy usage data is below. Emissions data is split into the following categories based on the source of their emission:

- **Scope 1 (direct) – Fuels:** Heating fuels, such as natural gas used to heat our branches, major properties, data centres and water. We also include the fuels directly purchased for travel for company-owned modes of transportation.
- **Scope 2 (indirect) – Electricity and district energy:** Purchased electricity, cooling and steam used in our branches, major properties, and data centres. The emissions associated with our electricity consumption depend on which source is used to produce electricity in each of the jurisdictions where we operate.
- **Scope 3 (indirect) – Business travel (Category 6):** Business-related travel, including by car, rail, and air

The data is calculated in accordance with the Greenhouse Gas Protocol (GHG Protocol).

Table 4: RBC BDL's global greenhouse gas emissions data

	Year ended 31 October 2023
Scope 1 emissions (tonnes of CO2e)	230
Scope 2 emissions (tonnes of CO2e)	607
Total gross Scope 1 and Scope 2 emissions: (tonnes CO2e)	837
Energy consumption used to calculate Scope 1 emissions: ekWh	1,169,368
Energy consumption used to calculate Scope 2 emissions: kWh	2,932,200
Total energy consumption used to calculate Scope 1 and Scope 2 emissions: ekWh	4,101,568
GHG emissions intensity ratio: tonnesCO2e (gross Scope 1 + 2) / number of employees (Full time equivalent (FTE))	0.39
Scope 3 emissions (category 6: business travel) tonnes CO2e	580



Data reporting period

In 2023, RBC BDL adopted the RBC reporting cycle for operational emissions of 1 November to 31 October. The reporting cycle for our Scope 1 and Scope 2 energy data for buildings (natural gas, fuel oil, propane, chilled water, steam, and electricity) is 1 August to 31 July to allow sufficient time for data collection, review, and approval. The reporting for other sources of emissions remains 1 November to 31 October. Data are reflective of a complete year, but due to variations in billing cycles, the reporting months may not reflect the RBC fiscal year of 1 November to 31 October.

For further information on the methodology used to calculate greenhouse gas emissions, please refer to page 54 of RBC's 2023 Climate Report.

4.3 Climate-related targets

Recommendation 11: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Our Approach to Climate Change describes RBC BDL's commitments and actions related to climate change. This includes commitments to the following:

- Our investment teams integrate material climate change factors into their investment processes on recommended buy lists, where applicable[23].
- We analyse issuer and fund-level climate risks and opportunities for investments on recommended buy lists.
- We use stewardship to encourage the management of material climate-related risks and opportunities, where applicable.
- We collaborate with like-minded investors where interests are aligned.
- We provide transparent entity-level disclosures on climate change.
- RBC BDL properties are in-scope of RBC's goal of reducing global emissions from its own operations by 70% compared to its and to increase sourcing of electricity from renewable and non-emitting sources to 100%, both by 2025[24].

As a wealth manager, we have a duty to manage our clients' assets in line with the stated objective of their investment strategy or in line with their investment mandate. RBC BDL may offer specific investment strategies or mandates that include a climate-related target. We do not, however, set climate-related targets that apply to assets under management, unless the client has expressly agreed to a target for their investment strategy, or it is stated in the investment objective of the fund.

We believe that the most effective way to address material climate-related risks and opportunities is through the integration of material climate-related factors into investment decisions, through stewardship, and by providing climate-based solutions to meet client needs.

(23) Applicable investments include direct equities and fund research; (24) The emissions reduction goal for RBC's global operations covers Scope 1, 2 (market-based) and 3 (business travel), reported GHG emissions, using a baseline of 2018, as described in RBC's 2023 Climate Report. See the 2023 Climate Report for details on market-based emissions.

Appendix 1: Climate metrics and methodologies

The following content applies to climate-related metrics reported in Section 2.3 and Section 4.1.

RBC BDL selects and calculates climate metrics by considering the methodologies recommended by the TCFD, including weighted average carbon intensity, total carbon emissions (also referred to as financed emissions), carbon footprint (also referred to as emissions per million pounds invested), carbon intensity, exposure to transition risks (based on Climate VaR for transition scenarios), and exposure to physical risks (based on Climate VaR for physical scenarios). RBC BDL also considers climate-related metrics such as portfolio coverage (also referred to as binary target measurement) and portfolio temperature alignment (Implied Temperature Rise) metrics.

Metric	Unit	Calculation	Methodology reference	Data source
Equity and corporate bonds				
Carbon emissions				
Financed emissions (total carbon emissions)	MtCO2eq.	$\sum_{i}^{n} \frac{\text{current value of investment}_i}{\text{enterprise value including cash}_i}$ X $\text{Issuer emissions}_i$ Note: The same denominator is used for listed equities and corporate bonds to allow for aggregation across portfolios.	PCAF (2022) and TCFD (2022)	MSCI® ESG climate change metrics
Weighted average carbon intensity (by sales)	MtCO2eq./ £m sales	$\sum_{i}^{n} \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}_i} * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's £M sales}_i} \right)$	TCFD (2022)	MSCI® ESG climate change metrics
Carbon intensity	MtCO2eq./ sales	$\frac{\sum_{i}^{n} \left(\frac{\text{current value of investment}_i}{\text{issuer's enterprise value including cash}} * \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\sum_{i}^{n} \left(\frac{\text{current value of investment}_i}{\text{issuer's enterprise value including cash}_i} * \text{issuer's £M sales}_i \right)}$	TCFD (2022)	MSCI® ESG climate change metrics
Emissions/$m invested (carbon footprint)	MtCO2eq./ £m invested	$\frac{\sum_{i}^{n} \left(\frac{\text{current value of investment}_i}{\text{enterprise value including cash}} * \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{current portfolio value (£M)}}$	TCFD (2022)	MSCI® ESG climate change metrics
Investments in issuers with climate targets				
% AUM with SBTi-verified and/ or committed targets	% (£)	Percentage of AUM invested in issuers with a verified (validated) and/or committed SBTi target	SBTi (2022)	MSCI® ESG climate change metrics and Science-based targets initiative (SBTi)
% AUM with any climate target	% (£)	Percentage of AUM invested in issuers with any emissions reduction target (inclusive of SBTi verified, SBTi committed, and any other target)	RBC BDL	MSCI® ESG climate change metrics
Temperature alignment				
Temperature alignment (Implied Temperature Rise)	°C	$\sum_{i=0}^{n} \frac{\text{current value of investment}_i}{\text{current portfolio value}}$ * (Fund ITR+ITR)	SBTi (2022) and (TCFD) (2021)	MSCI® ESG climate change metrics
% AUM with Implied Temperature Rise below 2°C	% (£)	Percentage of AUM by Implied Temperature Rise range (less than 2°C, 2°C to 3°C, and over 3°C)	SBTi (2022) and (TCFD) (2021)	MSCI® ESG climate change metrics

Climate opportunities				
Green revenue exposure	% (£)	Percentage of AUM invested in issuers with revenue (at stated threshold levels, e.g., 10% revenue) from the following sources: alternative energy + energy efficiency + green buildings + pollution prevention + sustainable water + sustainable agriculture.	RBC BDL	MSCI® ESG climate change metrics
Climate solutions	% (£)	Percentage of AUM with issuers classified as providing climate solutions as per MSCI® low carbon transition methodology	RBC BDL	MSCI® ESG climate change metrics
Climate Scenario analysis				
Climate VaR	%	Aggregated Climate VaR = Policy risk Climate VaR + Technology opportunity Climate VaR + Physical risk and opportunity Climate VaR.	NGFS Scenarios (2021) and TCFD (2020)	MSCI® ESG climate change metrics

Normalising portfolios

We calculate weighted average climate metrics using a normalised approach where we scale up to 100% ('normalise') portfolio weights when the corresponding data coverage is less than 100%. This impacts the following metrics: Weighted Average Carbon Intensity by sales, Implied Temperature Rise (ITR) and Climate Value at Risk (VaR). Our decision to use a normalised weighted average calculation is in line with evolving market and regulatory trends but may result in an overestimation of values. We have chosen to publish data coverage values and normalise climate-related metrics to provide transparency, and as this is the approach increasingly recommended by regulators[25].

Carbon emissions

There are seven GHGs mandated under the Kyoto Protocol that significantly contribute to climate change. Each of these gases has a different global warming potential (GWP) – the amount of heat they hold. Carbon dioxide (CO2) is the most abundant GHG, which is why it is used as the unit of measure for GHG emissions analysis. All other GHGs are converted into carbon dioxide equivalents (CO2 eq.) based on their GWP. In this report, references to carbon emissions, or the use of tons of CO2 equivalent, is inclusive of all GHG emissions.

Data source, type, and quality

Carbon emissions data is purchased from MSCI® ESG Research[26]. Carbon emissions are classified as Scope 1 and 2 as per the GHG Protocol[27]. This data is collected by MSCI® once per year from the most recently available sources, including annual reports, corporate sustainability reports or websites. Carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) is also used, when reported data is not available through direct corporate disclosure. When companies do not disclose emissions data, estimations based on MSCI® ESG Research methodologies are used. In this report, carbon emissions data is categorised as reported, estimated, or not available, based on the above description.

(25) Questions and answers (Q&A) on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288), European Securities and Markets Authority (ESMA), November 17 2022; (26) Methodology details published in MSCI ESG Climate Change Metrics, November 28 2022, MSCI® ESG Research; (27) Greenhouse Gas Protocol; (28) Look-through data is sourced from Morningstar to improve our holdings coverage for funds with significant market values.

Calculation time period

All climate metrics are calculated as at December 31 2023, with holdings data, look-through data[28], financial data, emissions-related data and other climate-related data current as at this date, unless otherwise indicated. Discrepancies and lags in data may exist due to a temporal mismatch between when data is reported by issuers and when it is available by third-party vendors. As both issuers and vendors update most metrics on an annual basis, this may result in temporal discrepancies. For example:

- Carbon emissions data for calendar year 2023 is not yet available as at December 31, 2023, due to the reporting time lag for issuers. As carbon emissions data is generally reported by companies on an annual basis and collected by the third-party vendor on a rolling annual basis, carbon emissions data may reflect emissions from previous years (e.g. 2022, 2021 or 2020).
- Financed emissions and carbon-intensity values for corporate equity and corporate fixed income (bonds) may use financial values (e.g., sales) that reflect a time period earlier than December 31 2023. Due to the rolling annual disclosure of carbon emissions data by issuers, it can be challenging to align the date of emissions data with reported financial data. All carbon emissions intensity values for corporate equity and fixed income are sourced directly from MSCI® ESG Research and use the emissions and financial values provided by the vendor. As such, metrics may not be an exact reflection of financial values as at December 31 2023.

Data Coverage

For climate metrics disclosed in this report (in Section 2.3 and Section 4.1), the climate-related data coverage for each metric is provided. Data coverage is the percentage of the portfolio for which there is climate data. For carbon emissions data, the breakdown of the percentage of reported vs estimated (we assume fund data from MSCI® are estimated to be prudent with our reporting coverage) data is also provided for greater transparency. Variations in data coverage by metric may be due to the coverage universe for that metric available from third-party vendors or other data sources. We have chosen to publish data coverage values and normalise climate-related metrics, to provide transparency and as this is the approach increasingly recommended by regulators.

Double counting of emissions

Double counting arises when emissions are aggregated across sectors or a portfolio and refers to counting the same emissions more than once. This occurs due to the fact that one company's Scope 1 and 2 emissions are another company's Scope 3 emissions. For example, the Scope 3 emissions for 'use of products' from an auto manufacturer (e.g., burning of gasoline) are the Scope 1 emissions for a delivery company that uses the vehicles from the manufacturer. The GHG Protocol provides guidance on reducing double-counting for company-level reporting[30], which indicates that while assessing a company's total Scope 1, 2 and 3 emissions may be informative, for investors, any analysis of Scope 3 emissions that involves more than one issuer at the same time raises issues of double counting. Double counting of Scope 3 emissions can occur for multiple reasons within a portfolio, but generally occurs due to overlapping emissions scopes, overlapping value chains, overlapping asset classes, matters of organisational boundaries, and corporate actions[31].

As there continue to be challenges in the quality and consistency of Scope 3 emissions estimation methodologies, and concerns regarding double counting of emissions when aggregating emissions at a portfolio level, the portfolio carbon emissions disclosures in this report focus exclusively on Scope 1 and 2 emissions.

Investment in issuers with climate targets

RBC BDL identifies and assesses the percentage of AUM invested in issuers that have themselves set carbon emissions targets as a way of identifying assets that are currently covered by emissions reduction targets. This 'portfolio coverage' approach is referenced by SBTi in its Financial Sector Science-based Targets Guidance (Version 1.1, August 2022).

For this report, RBC BDL considers targets to be science-based (also called Paris-aligned) or net-zero aligned if they have been verified by SBTi as meeting the related target-setting criteria. SBTi provides a publicly available database of companies that have verified science-based and/or net-zero targets, and of companies that have committed to set a target within 24 months. However, not all issuers may choose to apply a voluntary standard such as SBTi, and SBTi is currently unable to accept commitments or validate targets for companies in certain industries, such as the oil and gas and fossil fuel sectors[32]. For this reason, we also track and monitor AUM invested in issuers with any carbon emissions reduction targets.

(29) Questions and answers (Q&A) on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288), European Securities and Markets Authority (ESMA), November 17 2022; (30) Ranganathan, J. et al. "Chapter 4: Setting Operational Boundaries" in The Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard. World Resources Institute and World Business Council, March 2004; (31) Overcoming double counting in Scope 3 emissions, MSCI®, March 2021; (32) Guidance for the oil and gas sector, SBTi, accessed January 18 2023; (33) Implied Temperature Rise Methodology, MSCI ESG Research, September 2021.

Temperature alignment

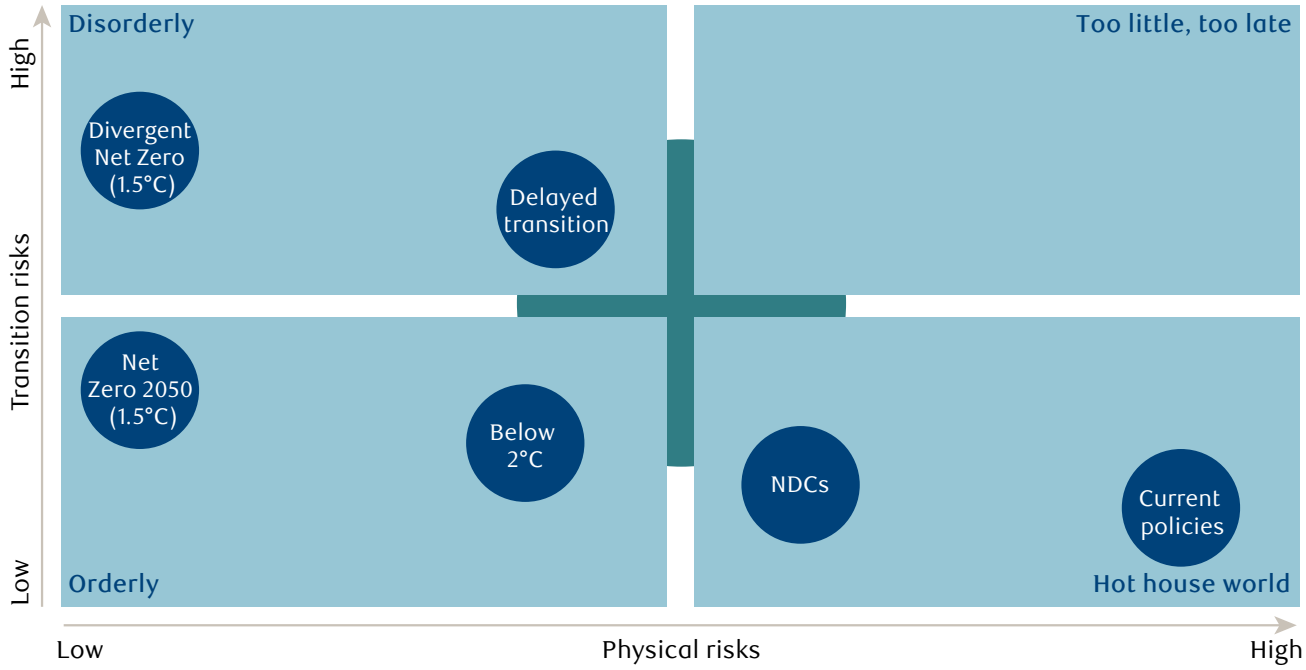
The calculation of temperature alignment is based on the calculation of an issuer- or portfolio-level Implied Temperature Rise (ITR). ITR is a modelled, forward-looking metric that provides an indication of what temperature pathway an issuer or portfolio aligns with[33]. This metric indicates what the global average temperature increase would be in 2100 if the global economy looked like that issuer or portfolio. ITR is generated by scaling up to 100% ('normalise') portfolio weights when the corresponding data coverage is less than 100% of the portfolio, and then multiplying the weight by the sum of the fund or issuer Implied Temperature Rise, and translating that into a representative global temperature, in degrees Celsius. As a reference, individual issuers' and funds' ITR values, as provided by MSCI®, are available publicly here.

It is worth noting that the ITR analysis is inclusive of Scope 1, 2 and 3 emissions. All Scope 3 emissions are estimated, based on MSCI® ESG Research methodology, which uses an industry segment-specific intensity model. Concerns regarding double counting exist for modelled metrics such as ITR, as they do when calculating carbon emission metrics. As a modelled metric that by its nature is based on assumptions and estimates, we consider this an indicative measure of the temperature alignment, vs an absolute or definitive value.

Climate Scenarios

RBC BDL climate scenario analysis includes the transition scenarios recommended by the Network for Greening the Financial System (NGFS). The NGFS scenarios provide alternative views on long-term temperature targets, net-zero emissions targets, energy supply and demand, climate policy, and technology availability. The scenarios also vary in terms of whether the transition occurs in an orderly or disorderly manner.

In our analysis, we use the NGFS scenarios modelled by the REMIND-MAgPIE integrated assessment model (IAM), and all NGFS scenarios are currently based on the Shared Socio-economic Pathways (SSP) SSP2 ("Middle of the Road") socioeconomic assumptions[34]. We do not use the current policies scenario in our analysis. This scenario assumes all government policies (as of December 2019) are implemented, and as such, the costs of those policies are assumed to be already priced into markets.



(34) The Shared Socio-economic Pathways (SSPs) were developed to complement the Representative Concentration Pathways (RCPs) by varying socioeconomic futures. The combination of SSP-based socioeconomic scenarios and RCP-based climate projections provides an integrative frame for climate impact and policy analysis. (O'Neill et al., 2017; Riahi, V(uuren, et al., 2017).

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