



RBC GLOBAL ASSET MANAGEMENT Commitment to the UK Stewardship Code

Overview of RBC Global Asset Management

RBC Global Asset Management¹ (“RBC GAM”) is the asset management division of Royal Bank of Canada (“RBC”). RBC provides banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. RBC employs approximately 79,000 people who serve more than 16 million clients through offices in Canada, the United Kingdom, the United States and 37 other countries.

RBC GAM manages approximately £154B (or €218B) in assets worldwide (as at July 31, 2015). With offices in Canada, the United Kingdom, the United States and Asia, RBC GAM provides a comprehensive range of investment solutions and services to both individual and institutional investors.

Approach to Responsible Investment

In Canada, RBC GAM is an industry leader in the support of good corporate governance, proxy voting and the disclosure of the proxy voting policies and records of its publicly offered mutual funds. RBC GAM recently broadened its impact in this regard by creating a Corporate Governance & Responsible Investment (“CGRI”) team to assist in more formally integrating environmental, social and governance (“ESG”) factors into its investment process. The group is also designing a more formal program to broaden our engagement on ESG issues with the companies in which we are invested.

RBC GAM is also an active member of numerous international organizations and coalitions. It is a founding and active member of the Canadian Coalition for Good Governance (“CCGG”), which is a coalition of most of Canada’s largest institutional investors formed to promote good governance practices. Collectively, CCGG members manage approximately CAD \$3 trillion of investments in global capital markets on behalf of millions of Canadians. CCGG members believe that good governance practices contribute to an issuer’s ability to create value for its security holders. Our Chief Investment Officer is currently the chair of the board of CCGG. RBC GAM is also a member of the International Corporate Governance Network (“ICGN”), the Council of Institutional Investors (“CII”), the Responsible Investment Association of Canada and the Carbon Disclosure Project.

RBC GAM recently announced that it has become a signatory to the United Nations-supported Principles for Responsible Investment (“PRI”). RBC GAM is committed to putting the PRI’s six principles of responsible investment into practice and believes that they are aligned with our existing approach to responsible investment.

RBC GAM supports the principles of the UK Stewardship Code. The following represents our view on the principles of the Code.

¹ In this document, references to RBC GAM include one or more of the following: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Alternative Asset Management Inc., RBC Global Asset Management (UK) Limited and the asset management division of RBC Investment Management (Asia) Limited.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

RBC GAM has recently published its [Approach to Responsible Investment](#) (“Approach to RI”) available through the “Corporate Governance & Responsible Investment” link at www.rbcgam.com. Our Approach to RI provides a comprehensive overview of RBC GAM’s responsible investment activities, commitments, responsibilities and practices.

Our proxy voting practices are among the topics discussed in detail in our Approach to RI. At RBC GAM, we actively monitor our investee companies and exercise voting rights according to our custom proxy voting guidelines. Those guidelines are also available on the CGRI page of our website.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

As institutional investment managers, we have a fiduciary duty to act in the best interests of our clients (including the investment funds we manage) and have policies and procedures reasonably designed to prevent or manage conflicts of interest. Our conflict of interest policies establish minimum standards required to be followed by RBC GAM to ensure compliance with all applicable securities laws and regulations of the jurisdictions in which we operate.

Our conflict of interest policies with respect to proxy voting include the prohibition of any undue influence being exerted on our proxy voting activities from RBC or any other issuer of a proxy who might have a relationship with RBC or any of its affiliates. In addition, our proxy voting is centralized and all votes are executed in accordance with our proxy voting guidelines. Any attempts to inappropriately influence our proxy voting activities would immediately be escalated.

Principle 3: Institutional investors should monitor their investee companies.

We regularly monitor the companies in which we are invested and, where appropriate, will engage with management or members of the board. We do not generally attend annual general meetings as we believe that confidential engagement meetings in advance of an annual general meeting are usually a more productive way to raise issues of concern. We are generally not prepared to become insiders and in all of our engagement activities we take care not to receive any material non-public information about the company.

In general, the goal of our engagement program is to effectively communicate our views as an investor. Engagement also allows us to better understand our investee companies, their governance structures and their approach to ESG issues generally, which will better inform our voting and investment decisions. More specifically, the purposes of our ESG-focused engagements include:

- seeking better disclosure of ESG risks and opportunities and the steps the company is taking to address them;
- encouraging more effective management of ESG factors when we believe they may impact shareholder value;
- clarifying information in advance of a voting decision; and
- where a company is lagging its peers on a material ESG issue, seeking a commitment from the company for change, monitoring any changes and encouraging continued improvements that will impact shareholder value.

In addition, RBC GAM receives valuable information from our membership in CCGG, as it also meets with management and directors of Canadian investee companies on behalf of its members and informs its members about shareholder proposals submitted by its members.

At the time of this writing, we are also developing a more formal program to broaden our engagement with companies in which we are invested on ESG issues. This engagement program will be organized by the CGRI team which will track our engagement efforts over time with a view to ensuring meaningful engagement outcomes.

Principle 4: Institutional investors should establish clear guidelines on how they will escalate activities.

We do not have a pre-determined escalation strategy for our stewardship activities. We assess all of our activities through the lens of our clients' best interests and consider in each case whether our actions will contribute to the long-term sustainable growth of the company.

We apply our custom proxy voting guidelines rigorously and are always prepared to vote against management or the company's directors where appropriate. Where we have particular concerns with a company's practices, we will engage with management or the board, either individually or together with other institutional investors. If that dialogue has not been productive, we will consider other avenues of engagements, such as filing shareholder proposals. Ultimately, if our efforts in this regard are unsuccessful, we will consider divesting from the company entirely.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

As noted above, where the value of an investee company's securities could be materially impacted by the company's policies or decisions and voting and direct communication with the company's management and directors have been ineffective, we will consider participating in collective engagement with other institutional investors. Where appropriate, we will also work with national and international organizations/coalitions on issuer-specific or market-wide issues to encourage changes that are in the best interests of our clients and shareholders or bondholders in general. Our priority for any collective engagement effort is always the best interests of our clients and the preservation of long-term shareholder value.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

We have a fiduciary obligation to exercise our proxy voting rights in the best interests of the investors whose assets we manage. The exercise of voting rights requires an ongoing assessment of a company's management and directors, its ESG practices and the impact a vote may have on the value of the company's securities. In order to discharge our proxy voting obligations, we have developed custom proxy voting guidelines that are updated on an annual basis and cover a variety of corporate governance and responsible investment issues. Those guidelines summarize the principles which are generally supported through proxy voting. We vote all our shares in accordance with our proxy voting guidelines and, where necessary, utilize research on management performance and ESG issues drawn from portfolio manager and analyst due diligence, information provided by leading independent research firms and involvement in organizations such as ICGN, CII and CCGG. The CGRI team is responsible for implementing our proxy voting guidelines. We have retained Institutional Shareholder Services Inc. ("ISS") to provide proxy voting administration services on our behalf. ISS makes a

recommendation as to how each ballot item should be voted in accordance with our custom proxy voting guidelines, but we review each recommendation prior to our vote being submitted.

The proxy voting records of our mutual funds are publicly available. The proxy voting records for our Canadian and U.S. mutual funds are available on our website at www.rbcgam.com. We do not borrow shares in order to exercise additional proxy voting rights. Some of our funds participate in a securities lending program. In the case of securities that we have loaned, we recall all of our securities in North America and are in the process of implementing procedures to recall our loaned shares outside of North America when we own at least 1% market capitalization of the issuer or when we have determined that there is a significant voting issue..

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

We regularly issue public reports to security holders of our mutual funds about our stewardship and proxy voting activities. We are also developing an annual CGRI report which will centralize our reporting in this regard. As noted above, the proxy voting records of our publically offered mutual funds are publically available and are updated at least on an annual basis. In addition, we provide our institutional clients with detailed quarterly reports on matters of interest to each client, including performance, valuation and our proxy voting and stewardship activities. For further information regarding our adherence to the UK Stewardship Code, please contact Judy Cotte, V.P & Head, Corporate Governance & Responsible Investment, RBC Global Asset Management, at judy.cotte@rbc.com.