

Sustainable Finance Framework

Our approach and methodology
for sustainable finance

October 26, 2022



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Forward-looking statements are typically identified by words such as “believe”, “expect”, “expectation”, “aim”, “foresee”, “forecast”, “anticipate”, “predict”, “intend”, “estimate”, “commit”, “goal”, “plan”, “strive”, “objective”, “target” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “might”, “should”, “could” or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our objectives, vision, commitments, goals, targets, and strategies and our economic, environmental (including climate), social and governance-related impacts and objectives, including our Sustainable Finance Commitment of \$500 billion by 2025¹, will not be achieved. Moreover, many of the assumptions, estimates, standards, methodologies, metrics and measurements used in preparing this Framework continue to evolve and are based on assumptions believed to be reasonable at the time of preparation, but should not be considered guarantees.

We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: difficulty in identifying transactions, products and services that meet the sustainable finance classification criteria, the risk that eligible transactions or related initiatives will not be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by RBC, our ability to gather and verify data, our ability to track transactions and report on them as performance against our commitment to provide \$500 billion in sustainable finance by 2025, our ability to successfully implement various initiatives throughout RBC under expected time frames, the risk that initiatives will not be completed within a specified period or at all or with the results or outcome as originally expected or anticipated by RBC, the compliance of various third parties with agreements and/or our policies and procedures and/or their commitments to us, the legal and regulatory environment, and regulatory compliance considerations (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties and/or fines). Additional factors that could cause actual results to differ materially from the expectations in such forward-looking statements can be found in the Risk sections and Impact of COVID-19 pandemic section of our Annual Report for the year ended October 31, 2021 and the Risk management section of our Quarterly Report to Shareholders for the three- and nine-month periods ended July 31, 2022.

In addition, as we work to advance our sustainable finance and climate commitments, goals and targets, external factors outside of our reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, technological advancements, the evolution of consumer behaviour, the challenges of balancing interim emission reduction targets with an orderly and just transition, and geopolitical factors that impact global energy needs, and other significant considerations such as legal and regulatory obligations.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. Except as required by law, none of RBC or its affiliates undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

¹ All amounts in this Framework are in Canadian dollars unless otherwise noted. Measurements used in this Framework are metric.

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Introduction

Royal Bank of Canada (RBC, we, us or our) is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance.

RBC is committed to helping build a more inclusive, sustainable and prosperous future. We do so by harnessing the power of our Purpose: Helping clients thrive and communities prosper.

The aim of our purpose-driven approach to environmental, social and governance (ESG) issues is to help tackle some of society's greatest challenges in the communities where we live and work. These include:

- **The transition to net-zero** – Climate change is one of the most pressing issues of our age. We are committed to helping clients as they transition to net-zero, holding ourselves accountable, informing and inspiring a sustainable future, and advancing net-zero leadership in our operations. We have a climate strategy and roadmap, combining short- and long-term actions and commitments that support achieving net-zero in our lending by 2050. Underpinning our approach is a fundamental belief that this multi-decade transition to a net-zero future must be just, orderly and inclusive – balancing the needs of individuals, companies, regions, society and the economy.
- **Strengthening a diverse and inclusive culture** – We believe our differences make us stronger. We are committed to advancing diversity by driving equitable opportunities for pay, promotion and development, and by improving diversity in leadership at all levels, across all segments. We are also committed to strengthening inclusion with a focus on enhancing inclusive leadership capabilities among our people, fostering a listening environment and leading with empathy.
- **Building stronger communities and enabling economic inclusion** – Our society cannot move forward if people and communities are at risk of falling behind. RBC Future Launch™ is our 10-year, \$500 million commitment to help young Canadians prepare for a drastically changing workforce. We are also committed to supporting our clients' financial wellness and enabling economic inclusion, such as influencing equitable access to financial products and services, and leveraging our purchasing power to influence supplier diversity efforts.

Sustainable finance¹ is key to how we help our clients thrive and communities prosper.

As Canada's biggest bank, and one of the largest in the world based on market capitalization, we can have an impact by shaping the way capital is deployed. We also see sustainable finance as a significant growth opportunity for our clients and our business.

¹ Sustainable finance refers to financial activities that take into account environmental, social and governance factors.

We are committed to providing \$500 billion in sustainable finance by 2025.¹ As a provider of sustainable finance products and services, we have a deep interest in enhancing the integrity and credibility of the sustainable finance market, and are committed to upholding industry guidelines and good market practice.

You can learn more about our purpose-driven approach to ESG and sustainable finance through our annual [ESG performance reporting](#). For more information about our strategy to support our clients in sectors across the economy in a socially inclusive transition to net-zero, and the risks and opportunities we face, please visit [rbc.com/climate](https://www.rbc.com/climate).

Key sustainable finance partnerships

- Climate Bonds Initiative
- Global Financial Markets Association
- ICMA Green and Social Bond Principles
- Institute for Sustainable Finance
- Loan Market Association
- Loan Syndications and Trading Association
- London Stock Exchange Group – Sustainable Bond Market Advisory Group
- Net-Zero Banking Alliance
- The Sustainable Finance Action Council

1.1 Purpose

This Sustainable Finance Framework (“the Framework”) defines our approach and methodology for sustainable finance. It is intended to serve as:

- The **basis for classifying, tracking and disclosing performance towards our commitment to provide \$500 billion in sustainable finance by 2025**. We are committed to transparency and to the integrity of our sustainable finance definition and methodology.
- A **tool for identifying new opportunities and driving growth**, in line with our belief that sustainable finance represents a growth opportunity for our clients and our business.

The Framework outlines three key components of our sustainable finance methodology:

- Eligibility criteria used to classify transactions as eligible towards RBC’s sustainable finance commitment of \$500 billion by 2025.
- Metrics for reporting our progress towards our sustainable finance commitment.
- Environmental and social risk management, which is an important element of RBC’s approach to sustainable finance.

¹ \$100 billion commitment initially made in 2019 was subsequently expanded to \$500 billion in 2021.

The Framework builds on the internal methodology we have used to report on our sustainable finance commitment since it was announced in 2019. In line with our desire to remain aligned with industry guidelines and market practice, we have refined the definitions and eligibility criteria used in the Framework.

This Framework will be applicable from November 1, 2022 onwards. RBC may update and modify the Framework as needed.

1.2 Scope and classification pathway

The Framework covers RBC-provided financing, advisory services, and/or investment of RBC's own funds.¹ Investments held by RBC clients are not in scope. The Framework applies enterprise-wide with some exceptions,² and covers **three categories of sustainable finance**:

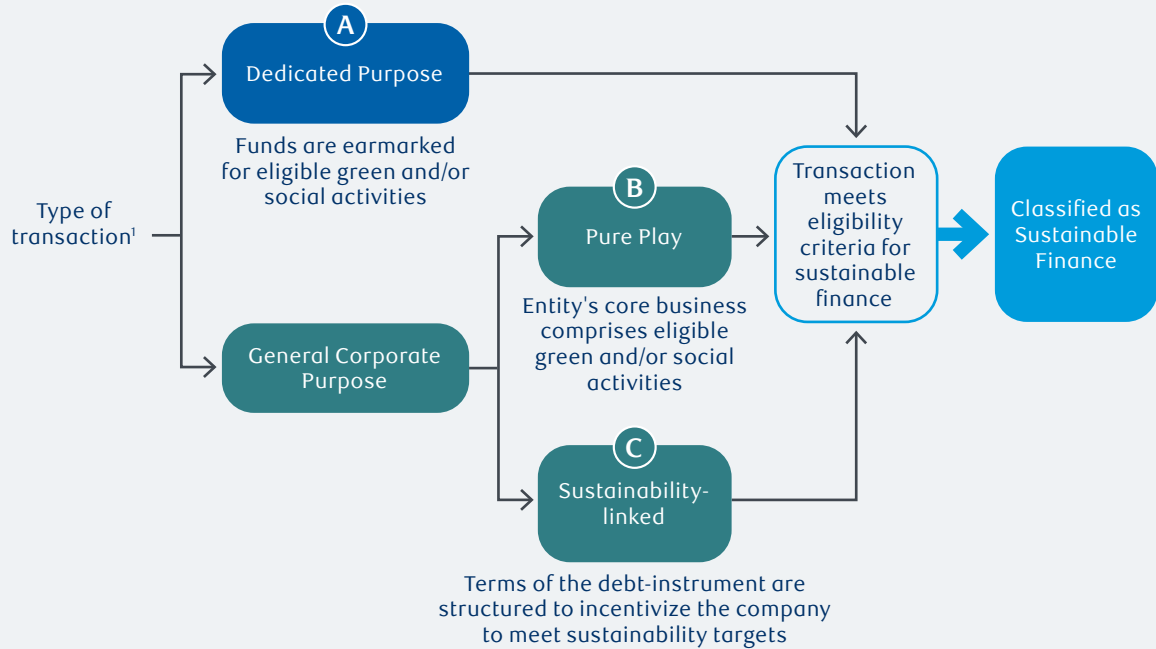
- A Dedicated purpose:** Financing that is earmarked for green and/or social activities (e.g. a Green Bond or project finance where the proceeds are allocated to activities such as the financing of electric vehicles or the provision of affordable education).
- B General corporate purpose – pure play:** Financing for an entity whose core business comprises eligible green and/or social activities (e.g. affordable housing provider or renewable energy company) that the entity can use for general corporate purposes.
- C General corporate purpose – sustainability-linked:** Financing that ties the terms of the finance agreement to the issuer's or borrower's achievement of pre-determined sustainability targets, but the funds are not earmarked for a specific activity (e.g. a loan where the interest rate changes based on the borrower meeting greenhouse gas emissions reduction targets and workforce diversity improvement targets).

The figure on the next page illustrates the pathway RBC uses to classify transactions as eligible towards our \$500 billion by 2025 sustainable finance commitment.

¹ RBC's own issuances of sustainable debt will continue to be issued in accordance with the relevant framework for that issuance. For example, RBC issued green, social or sustainability bonds will continue to be issued in accordance with the [RBC Sustainable Bond Framework](#).

² The Framework excludes the practices of RBC Global Asset Management ("RBC GAM"), the asset management division of Royal Bank of Canada ("RBC"). RBC GAM includes the following wholly owned indirect subsidiaries of RBC: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited and BlueBay Asset Management LLP. RBC Wealth Management, City National Bank and Brewin Dolphin Holdings PLC and its subsidiaries, are also not included in scope, but may be included in future versions of the Framework.

Pathway for sustainable finance classification



¹ Our environmental and social risk management (ESRM) process is designed to ensure we apply a suitable level of due diligence on a transaction. We maintain ESRM policies and procedures designed to identify, assess and mitigate the environmental and social risks associated with financing our clients. See Section 4 for details on environmental and social risk management.

Eligibility Criteria

RBC assesses transactions to determine whether they meet the criteria for classification as eligible towards our \$500 billion by 2025 sustainable finance commitment. Detailed below are the specific criteria used to assess each of the three categories of sustainable finance transactions.

A 2.1 Dedicated purpose

Dedicated purpose financing is eligible for classification as sustainable finance if:

2.1.1 **Proceeds are exclusively directed towards eligible green and/or social activities** listed in Tables 1 and 2 in Section 2.4; or

2.1.2 The instrument is a **designated green, social or sustainability bond or loan** that aligns with relevant guidelines such as:

- International Capital Market Association (ICMA) [Green & Social](#) Bond Principles; or
- ICMA [Sustainability Bond Guidelines](#); or
- Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) [Green & Social](#) Loan Principles; or

2.1.3 The instrument is a **municipal bond** where the proceeds are intended primarily for the **public provision of social and/or environmental services**.¹

B 2.2 General corporate purpose – pure play

Transactions (e.g. credit, M&A advisory) are eligible for classification as sustainable finance **if the entity derives 90% or more of its revenue from eligible green and/or social activities** listed in Tables 1 and 2 in Section 2.4.

C 2.3 General corporate purpose – sustainability-linked

Sustainability-linked transactions are those where the terms of the finance agreement are tied to the issuer's or borrower's achievement of pre-determined sustainability targets as measured through Key Performance Indicators (KPIs) and assessed against Sustainability Performance Targets (SPTs).

¹ Including but not limited to healthcare, education, housing, transportation, student loans, water & sanitation, energy efficiency, renewable energy, pollution prevention and control, and circular economy.

Sustainability-linked transactions are eligible for classification as sustainable finance if the debt instrument aligns with relevant guidelines such as the ICMA [Sustainability-linked Bond Principles](#) (SLBP)¹ or the APLMA/LMA/LSTA [Sustainability-linked Loan Principles](#) (SLLP)².

These guidelines include components that address issues such as:

- **The materiality of the KPI³:** The KPIs should relate to the borrower’s core sustainability and business strategy, and address relevant environmental, social and/or governance challenges for the industry sector, and be under management’s control.
- **The ambitiousness of the SPT:** The SPTs should represent a material improvement beyond a “business as usual” trajectory; be able to be benchmarked against historical performance, peer performance and/or external targets; and, where applicable, be based in science.
- **Implications of whether targets are achieved or not:** A variation in the instrument’s financial or structural characteristics should be triggered depending on whether or not the selected KPI(s) reaches the predefined SPT(s).
- **Monitoring performance:** Issuers and borrowers must report their performance against the SPTs so lenders can monitor progress and determine whether the SPTs remain ambitious and relevant to the issuer’s or borrower’s business.
- **Verifying performance:** Issuers and borrowers must obtain independent external verification of their performance against the SPTs.

The guidelines are available [here \(SLBP\)](#) and [here \(SLLP\)](#).

2.4 Eligible green and social activities

Table 1 and Table 2 below detail the green and social activities used to determine eligibility for Dedicated Purpose financing, where proceeds are exclusively directed towards eligible green and/or social activities (i.e. category 2.1.1) and General Corporate Purpose – Pure Play (i.e. category 2.2). These tables have been developed with reference to relevant industry guidelines such as the ICMA [Green & Social Bond Principles](#) and existing taxonomies such as the [Climate Bonds Taxonomy](#).





¹ These principles apply to bonds that contribute to sustainability from an environmental, social and/or governance perspective.

² These principles apply to loans or contingent facilities that aim to support economic activity and growth that is environmentally and/or socially sustainable.

³ We are using the term “material” to mean that the KPI has high strategic significance to the borrower’s or issuer’s strategy and operations. The use of the terms “material”, “significant”, “important” or similar words or phrases in this Framework should not be read as necessarily rising to the level of materiality used for the purposes of complying with securities laws and regulations.

Table 1: Eligible green activities

Eligible green activities under this Framework are those that support key environmental objectives including but not limited to climate change mitigation, climate change adaptation, biodiversity and ecosystem protection, sustainable use and protection of water and marine resources, pollution prevention and control, and circular economy.





Eligible Categories	Eligible Activities	UN SDGs Alignment ¹
<p>Renewable energy</p>	<p>Construction, development, operation, acquisition, maintenance, connection, transmission and distribution of the following renewable energy generation sources:</p> <ul style="list-style-type: none"> • Wind • Solar • Geothermal with direct emissions less than 100g CO₂/kwh • Waste biomass and renewable biofuels sourced from sustainable agriculture and forestry residues with direct emissions <100g of CO₂/kWh • Tidal • Run of river and small scale hydroelectricity <25 MW. Hydroelectricity projects >25 MW must meet power density or lifecycle emissions thresholds.² • Refurbishment of existing hydroelectricity facilities, provided the size of the dam or reservoir are not increased <p>Construction, development, operation, acquisition and maintenance of electricity transmission and distribution systems that³:</p> <ul style="list-style-type: none"> • Enable generation capacity where 67% or more of newly enabled capacity has an emissions threshold below 100g CO₂/kwh; or • Have an average systems grid emissions threshold below 100g CO₂/kwh 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>Energy efficiency</p>	<p>Projects, products and systems that increase energy efficiency and/or reduce energy consumption or mitigate greenhouse gas (GHG) emissions by 20% or more over the baseline, including:</p> <ul style="list-style-type: none"> • Energy-efficient heating and cooling systems, lighting, and appliances • Centralized energy control systems • Energy storage systems • Efficiency improvements for transmission and distribution of energy such as smart grids 	<p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 
<p>Pollution prevention and control</p>	<p>Construction, development, operation, acquisition and maintenance of land, facilities, systems or equipment used for collection, treatment/ remediation, recycling or reuse of emissions (e.g. carbon capture storage and sequestration), waste or contaminated soil</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 

¹ [The United Nations Sustainable Development Goals](#). Mapping of eligible categories to the SDGs is directional only, not exhaustive, and done with reference to the [high-level mapping provided by ICMA](#). Specific transactions may be aligned with other SDGs that are not listed.

² Hydropower projects (>25MW) in operation before 2020 must have a power density of over 5 W/m² or operate with lifecycle emissions below a threshold of 100g CO₂e/kWh; hydropower projects in operation in 2020 or after must have a power density of over 10 W/m² or operate with lifecycle emissions below a threshold of 50g CO₂e/kWh.

³ Systems that are part of the interconnected European system are eligible provided they do not create a direct connection or expand an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO₂e/kWh measured on a life cycle basis.

Table 1: Eligible green activities (continued)

Eligible Categories	Description	UN SDGs Alignment
<p>Environmentally sustainable management of living natural resources and land use</p>	<p>Activities that contribute to the sustainable management of living natural resources, land use and natural ecosystem protection including:</p> <ul style="list-style-type: none"> • Agriculture projects that demonstrate significant reduction in energy, water use and/or GHG emissions, or that maintain or improve existing carbon pools such as greenhouses, reduced fertilizer use, rangeland management, collection and use of agricultural waste, low tillage techniques, rehabilitation of degraded lands, etc. or livestock management projects that reduce methane or other GHG emissions such as manure management with biodigestors • Sustainable agriculture, climate smart farm inputs, animal husbandry, fisheries and aquaculture, certified by a recognized third-party certification such as Canada Organic, USDA Organic, UTZ, Rainforest Alliance, Marine Stewardship Council, Aquaculture Stewardship Council, GlobalG.A.P. for Aquaculture, or Best Aquaculture Practices (2 stars or more) • Sustainably managed forests and forest products certified by credible third-party certification systems such as Forest Stewardship Council, Programme for the Endorsement of Forest certification and the Sustainable Forestry Initiative 	
<p>Clean transportation</p>	<p>Construction, development, operation, acquisition and maintenance of low carbon transportation assets, including:</p> <ul style="list-style-type: none"> • Energy efficient private transport: <ul style="list-style-type: none"> - Electric or hydrogen vehicles - Hybrid vehicles (with CO₂ emission thresholds of <75g CO₂/km) - Hydrogen fuel or electric charging stations • Energy efficient public transport: <ul style="list-style-type: none"> - Electrified rails, trams and buses - Public bus fleets powered by alternative fuels (i.e., electric/hydrogen fueled buses with no direct emissions or hybrid buses with CO₂ emissions threshold of <50g CO₂/p-km) - Hydrogen fuel or electric charging stations 	
<p>Sustainable water and wastewater management</p>	<p>Construction, development, operation, acquisition and maintenance of infrastructure for:</p> <ul style="list-style-type: none"> • Collection, treatment, recycling or reuse of water, rainwater or wastewater • Flood prevention, flood defense or storm water management¹ • Water metering activities to support conservation initiatives • Water distribution systems with improved efficiency 	
<p>Terrestrial and aquatic biodiversity</p>	<p>Activities that contribute to the enhancement or conservation of terrestrial or aquatic biodiversity, such as protection of coastal, marine and watershed environments certified by the Marine Stewardship Council</p>	

¹ Supported by a vulnerability assessment and adaptation plan.

Table 1: Eligible green activities (continued)










Eligible Categories	Description	UN SDGs Alignment
<p>Green buildings</p>	<p>Construction, development, operation, acquisition and maintenance of residential or commercial buildings that have:</p> <ul style="list-style-type: none"> • Received, or expect to receive based on their design, construction and operation plans, certification according to third-party verified building standards, including LEED Gold or Platinum or equivalent levels in other certification schemes such as BOMA BEST (Gold or Platinum), BREEAM (Excellent or Outstanding), ENERGY STAR (score >85) or Toronto Green Standard (v2) (Tier 2 or higher); or • Achieved, based on third-party assessment, GHG emission performance in the top 15% of their city, province/state or country; or • Achieved, based on third-party assessment, energy savings of at least 30% over baseline energy consumption from retrofits 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 
<p>Climate change adaptation and resilience</p>	<p>Adaptation measures based on a vulnerability assessment and adaptation plan that contribute to reducing vulnerability to climate change impacts, including projects that:</p> <ul style="list-style-type: none"> • Develop information support systems for monitoring GHG emissions and early warning systems for natural disasters • Increase resilience against physical impacts of climate change, such as sea level change, extreme weather events and natural disasters (e.g. flood mitigation barriers and wildfire mitigation and management) 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p>Circular economy adapted products, production technologies and processes</p>	<p>Projects or businesses that facilitate or carry out circular economy activities including:</p> <ul style="list-style-type: none"> • Substituting virgin raw materials with 100% secondary (recycled or reused waste) materials (e.g. fabrics, metals, fibres, wood and mechanically recycled plastics) in manufacturing and industrial processes • Producing products that can be recycled or composted where the input feedstock is from recycled/reused waste • Minerals-based materials recovery or recycling in mining and industrial materials processes post-production • Increasing the capacity utilisation of a product or asset during its useful life (e.g. through sharing and/or predictive maintenance) 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 

Table 2: Eligible social activities

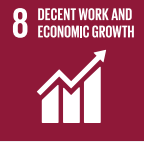
Eligible social activities under this Framework are those that provide clear benefits to people, and help build more inclusive and strengthened communities. Eligible activities will focus on target populations similar to those defined in the ICMA Social Bond Principles 2021. The target population can vary depending on local contexts, and in some cases, such target population(s) may also be served by addressing the general public. We also recognize that historically underrepresented groups are a critical focus for enabling economic inclusion. These groups may include those who self-identify as women, Black, Indigenous and People of Colour (BIPOC), LGBTQ+, and/or persons with disabilities.

Eligible Categories	Description	UN SDGs Alignment
<p>Access to essential services</p>	<p>Construction, development, operation, acquisition and maintenance of publicly available, free or subsidized essential services, including:</p> <ul style="list-style-type: none"> • Education (including public universities, colleges, schools and training centres) • Healthcare (including public hospitals, medical equipment, mental health facilities and programs, homes or health facilities for seniors or persons with disabilities) • Care centres (childcare centres, community centres, senior care centres, refugee centres, safe houses and organizations that provide similar services to target populations such as the homeless and survivors of domestic abuse) • Rehabilitation of parks and other public spaces 	 
<p>Affordable housing</p>	<p>Construction, development, purchase, operation and maintenance of new or existing buildings that provide housing that meets national/regional affordable housing definitions in the applicable jurisdiction,¹ including:</p> <ul style="list-style-type: none"> • Housing for households or individuals whose income is below 80% of the area median income (AMI) and where rents are ≤30% pre-tax income • Social housing at below-market rents to low-income earners² • No-cost housing solutions such as homeless shelters and transition housing for homeless families and individuals • Rent-to-own programs for qualifying individual or family households whose income is below 80% AMI or 120% of AMI in high-cost areas 	
<p>Affordable basic infrastructure</p>	<p>Construction, development, operation, acquisition, refurbishment and maintenance of basic infrastructure for underserved and/or remote communities that have limited access or no access to services including but not limited to clean drinking water, sewers, sanitation and electricity transmission.</p>	  

¹ Based on applicable definitions within the jurisdiction in which it is built, such as through the Canadian Mortgage and Housing Corporation's Investment in Affordable Housing program or other regional equivalents.

² Low income is defined as 50% below the AMI, which is consistent with Statistics Canada's definition.

Table 2: Eligible social activities (continued)

Eligible Categories	Description	UN SDGs Alignment
<p>Socioeconomic advancement & empowerment and employment generation</p>	<p>Support for organizations that aim to promote socioeconomic advancement and empowerment of women, Indigenous Peoples, other groups that are historically underrepresented and/or those who face economic hardship.¹ This includes activities that:</p> <ul style="list-style-type: none"> • Expand access to financial education, capability building and services (e.g. free financial services for specific target populations) and the development or purchase of housing • Support access to education, skills development, job placement supports and other economic empowerment initiatives • Support micro-, small- and medium-sized enterprises where at least one of the owners is from a historically underrepresented group and has at least a 51% share of ownership • Support for micro-, small- and medium-sized enterprises in regions that economically underperform or suffer from multiple deprivations as measured in the local context² 	

2.5 Exclusionary criteria

RBC will not knowingly consider as eligible under the Framework a transaction with an entity whose current principal industry or primary activity has been determined by RBC as being any of the following:

- Weapons
- Tobacco and related products (e.g. vaping/e-cigarette products)
- Gambling
- Adult entertainment
- Predatory lending

¹ A group that is historically underrepresented may include those who self-identify as women, Black, Indigenous, People of Colour (BIPOC), LGBTQ+, and/or persons with disabilities.

² Support for micro, small- and medium-sized enterprises in regions that economically underperform or suffer from multiple deprivations as measured in the local context is based on applicable definitions within the jurisdiction in which it is built, such as for Canada, in alignment with the Statistics Canada definition of the Canadian Index of Multiple Deprivation.

Reporting

3.1 Metrics and reporting basis

The below metrics and reporting basis will be used to report progress towards RBC's sustainable finance commitment of \$500 billion by 2025. RBC follows widely accepted industry practice when apportioning RBC's share of a transaction, and these are summarized in the table below. We include both new financing and refinancing.

Metric	Category	Description	Applicable Frameworks	Reporting Basis
Credit extended to eligible clients and projects	A Dedicated purpose	Designated green and social loans where proceeds are allocated to green and/or social activities	APLMA/LMA/LSTA Green & Social Loan Principles RBC Sustainable Finance Framework	Total authorized loan amount
		Non-designated loans for eligible green and/or social activities	RBC Sustainable Finance Framework	
	B General corporate purpose – pure play	Loans extended to entities whose core business comprises eligible green and/or social activities	RBC Sustainable Finance Framework	Total authorized loan amount
	C General corporate purpose – sustainability-linked	Designated loans where the terms of the loan are tied to the borrower's achievement of pre-determined sustainability targets	APLMA/LMA/LSTA Sustainability-linked Loan Principles RBC Sustainable Finance Framework	Total authorized loan amount
Value of equity investments made	B General corporate purpose – pure play	Equity investments by RBC in entities whose core business comprises eligible green and/or social activities	RBC Sustainable Finance Framework	Total RBC equity investment amount
Value of green/social/sustainability bonds underwritten	A Dedicated purpose	Designated green, social, and/or sustainability bonds where proceeds are earmarked for green and/or social activities	ICMA Green & Social Bond Principles ICMA Sustainability Bond Guidelines RBC Sustainable Finance Framework	League table credit is allocated to each Bookrunner for their portion of the principal amount of the offering

Metric	Category	Description	Applicable Frameworks	Reporting Basis
Value of sustainability-linked bonds underwritten	C General corporate purpose – sustainability-linked	Designated bonds where the terms of the bond are tied to the issuer's achievement of pre-determined sustainability targets	ICMA Sustainability-linked Bond Principles RBC Sustainable Finance Framework	League table credit is allocated to each Bookrunner for their portion of the principal amount of the offering
Capital raised	B General corporate purpose – pure play	Capital raised through Debt Capital Markets, Equity Capital Markets, Securitizations, Project Finance, and Leveraged Finance for issuers and projects whose core business comprises eligible green and/or social activities	RBC Sustainable Finance Framework	League table credit is allocated to each Bookrunner for their portion of the principal amount of the transaction
Value of mergers and acquisitions (M&A) deals for clients	B General corporate purpose – pure play	M&A advisory services in transactions where at least one party to the transaction's core business comprises eligible green and/or social activities	RBC Sustainable Finance Framework	League table credit is allocated in full value to both buy side and sell side advisors
Value of U.S. municipal bonds underwritten	A Dedicated purpose	U.S. municipal bonds where proceeds are intended primarily for the public provision of social and/or environmental services	RBC Sustainable Finance Framework	League table credit is allocated to each Bookrunner for their portion of the principal amount of the offering
Tax credit investments closed	A Dedicated purpose	Low Income Housing Tax Credit (LIHTC) equity investments and Renewable Energy Tax Credit (RETC) equity investments	RBC Sustainable Finance Framework	RBC's direct and syndicated investments

Metric	Category	Description	Applicable Frameworks	Reporting Basis
Derivatives provided to eligible clients and projects	A Dedicated purpose	Derivatives provided for designated green and/or social loans; and/or for designated green, social, and/or sustainability bonds	APLMA/LMA/LSTA Green & Social Loan Principles ICMA Green & Social Bond Principles ICMA Sustainability Bond Guidelines RBC Sustainable Finance Framework	Total amount of stand-alone credit line utilization at the time of execution of the trade
		Derivatives provided for eligible green and/or social activities	RBC Sustainable Finance Framework	
	B General corporate purpose – pure play	Derivatives provided to entities whose core business comprises eligible green and/or social activities	RBC Sustainable Finance Framework	
	C General corporate purpose – sustainability-linked	Designated derivatives where the terms of the instrument are structured to incentivize the client to meet sustainability targets	APLMA/LMA/LSTA Sustainability-linked Loan Principles ICMA Sustainability-linked Bond Principles RBC Sustainable Finance Framework	
Green, social, and sustainability bond holdings ¹	A Dedicated purpose	Designated bonds where proceeds are earmarked for green and/ or social activities	ICMA Green & Social Bond Principles ICMA Sustainability Bond Guidelines RBC Sustainable Finance Framework	Total notional amount held

¹ Proceeds raised from RBC's own issuance of green, social or sustainability bonds are not within scope.

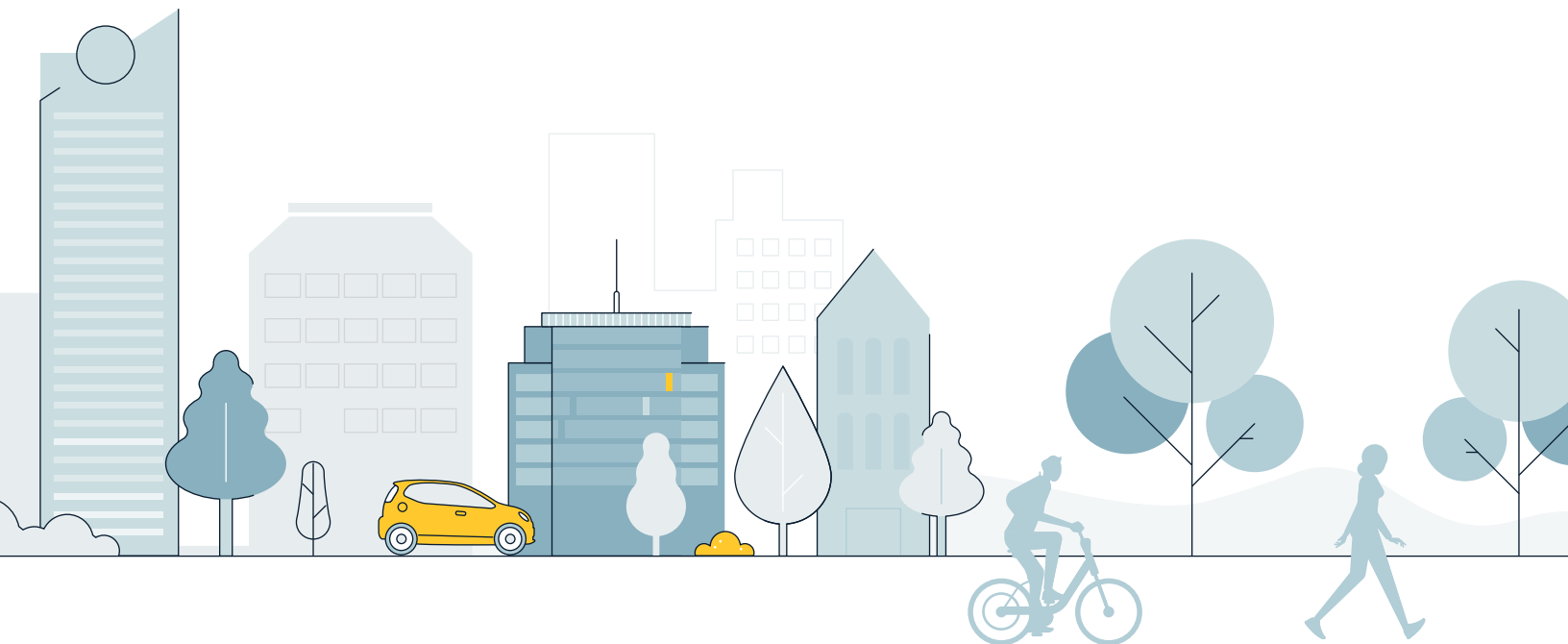
3.2 Reporting

RBC assesses each transaction identified as sustainable finance under this Framework, using our own judgment and in our sole discretion, against the eligibility criteria in Section 2. RBC collects data from both internal and external sources¹ when reporting progress towards our sustainable finance commitment of \$500 billion by 2025. The data reported are reviewed and approved by relevant business teams and subject to reviews by dedicated sustainable finance or sustainability teams where an additional review is required.

Reporting on progress towards our sustainable finance commitment is included annually in our RBC ESG Performance Report and our Task Force for Climate-related Financial Disclosures Report, which are both approved by the Governance Committee of the Board of Directors and available on [our website](#). Our performance is reported annually beginning in 2019 and on a cumulative basis.

We only report on activities for which we are able to measure and assess against the eligibility criteria in Section 2. As a result, as of the date of this Framework, our reporting does not capture the full value of the sustainable finance we provide annually. We strive to continuously enhance our ability to classify and track transactions that meet the eligibility criteria in the Framework, and report these activities in a more comprehensive way.

We are also committed to transparency and the integrity of our sustainable finance definition and methodology. As the sustainable finance market evolves and RBC's sustainable finance business continues to grow, we may update our eligibility criteria, metrics and reporting basis in subsequent versions of this Framework.



¹ Sources such as Bloomberg and Dealogic for public capital markets transactions.

Environmental and Social Risk Management

4.1 Overview

Managing environmental and social risk is an important element of RBC's approach to sustainable finance. The ability to manage risk is a core competency of RBC and is supported by our risk-aware culture and risk management approach. As a global financial institution with a diversified business model, we actively manage a variety of risks to help protect and enable our businesses, and have integrated climate risk considerations into our qualitative risk appetite framework, risk measurement and risk policies. We regard environmental and social risk as a transverse risk, which requires us to consider how financial and non-financial factors may impact us and our clients. We continue to advance our capabilities and approach to environmental and social risk management, staying abreast of evolving approaches and monitoring regulatory developments and new approaches through our involvement in Canadian and international collaborative forums.

Our environmental and social risk management (ESRM) process is designed to ensure we apply a suitable level of due diligence on a transaction. We maintain ESRM policies and procedures designed to identify, assess and mitigate the environmental and social risks associated with financing our clients. We believe these policies and procedures are reflective of our commitment to a balanced, responsible approach to business.

We proactively review and update our ESRM policies and procedures to reflect our ESG commitments as well as address regulatory changes, emerging and evolving issues, and international best practices.

We consider the impact of environmental and social issues in our business activities, not just financing. Our Enterprise-wide ESRM Policy applies to our own operations, any acquisitions or projects, and to the development of new financial products or services, to name a few. It requires completion of a thorough review and analysis when RBC may be exposed to risks due to environmental or social issues.

4.2 Key policies and positions

RBC has focused policy guidelines for certain sensitive sectors and activities. This includes restrictions on transactions relating to certain coal-fired power generation, or coal mining, and not providing direct financing of any project or transaction that involves exploration or development in the Arctic National Wildlife Refuge or in UNESCO World Heritage Sites. Our Policy Guidelines for Sensitive Sectors and Activities can be accessed [here](#). We also outline our commitment to meeting our responsibility to respect internationally recognized human rights as set out in the United Nations Guiding Principles on Business and Human Rights in our Human Rights Position Statement (available [here](#)), and our policies and practices to prevent slavery and human trafficking from taking place in our operations and supply chain in our Modern Slavery Act Statement (available [here](#)).

RBC was the first Canadian bank to formally adopt the Equator Principles in July 2003.¹ The Equator Principles are a voluntary international framework for financial institutions to identify, assess, manage and mitigate environmental and social risks in project financing. RBC reports annually on our implementation of the Equator Principles.

For more information on our approach to managing environmental and social risk, please visit [our website](#).

¹ RBC re-signed the Equator Principles when they were revised and reissued in July 2006 (EP II), June 2013 (EP III) and July 2020 (EP4).

