



RBC's Supplier Code of Conduct

BY GREG GRICE

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Most large organizations rely on a network of suppliers to help with day-to-day operations. They need equipment, materials and goods, technical expertise and advice. The people and companies that provide this support are a critical element for businesses to deliver results. Over the course of doing business with each other, suppliers often come to be seen as an extension of the organization to which they are supplying goods and services.

Large organizations need to remember the way they become associated with their suppliers. It's not enough to think of them as arms-length parties when others, including clients and shareholders, see the relationship as so much more. That's why RBC developed a Supplier Code of Conduct — to evolve the status of its suppliers so they become true partners.

It's important to look beyond the business aspects of our relationships with suppliers. We know that the choices we make regarding all of our partners reflect on our reputation, regardless of the size or materiality of the supplier to overall business operations. This is even more true of those suppliers who support our client-facing activities.

The code formalizes and standardizes the way we approach responsible procurement.

The objective is to ensure that all our partners fit into our culture of doing what's right. Our core values — Service, Teamwork, Responsibility, Diversity and Integrity — guide the way we serve our clients and how we achieve short- and long-term success. So, with that in mind, the code sets out the expectations of suppliers to ensure their business with us, supports our values and contributes to Canada's economic prosperity.

The most significant changes expressed in the code deal with policies on outsourcing. We expect suppliers not to subcontract services they perform for us or outsource activities that directly impact the delivery of goods and services to RBC, without our prior written approval.

RBC is committed to a continued focus on Canadian jobs and prosperity and we expect our suppliers to show the same commitment. Our expectations of suppliers are high. We require them to adhere to human rights, labour and employment standards legislation. We also look for them to treat their employees fairly and with respect, including respect for diversity.

RBC expects suppliers that provide services to RBC in Canada to support our focus on Canadian jobs and prosperity. For example, suppliers should not hire foreign workers from outside of Canada when performing services on behalf of RBC, where a worker eligible to work in Canada is available and able to perform the service.

Our Master Service Agreements contain provisions that give us the ability to monitor compliance and ensure contractual commitments are secured. Like any part of the business, it's not only important to set targets but also to report on them. That's why we will engage objective parties to perform an independent review, which will be included in our annual corporate responsibility report.

We have segmented suppliers into tiers based on the potential risk they present. The highest tier consists of those that are most material to our business. While all of our suppliers will be monitored to ensure they are following the code, the performance of the ones in the highest tier will be checked more frequently. We will also perform regular reviews of the guidelines we follow to segment suppliers. That will ensure we have up-to-date information about our partners and that we stay on top of changing circumstances both within their businesses as well as in the economy in general.

Our mission is to always be earning the right to be our clients' first choice. That obviously includes being a trusted source of expert advice for clients but it also means living up to their expectations of us to do the right thing.

A company with the size and scope of RBC interacts with a very broad group of suppliers. When it comes to assessing risk, we take into account how material and strategically important the work of a supplier is to our business. We also consider whether or not their work is client-facing.

The Supplier Code of Conduct offers suppliers a very clear picture of our sense of good corporate citizenship and corporate responsibility, ensuring they know what we expect of them. RBC employees who manage these relationships are also part of the equation. It's a fundamental requirement of their jobs to build and maintain their relationships with suppliers around the principles of the code.

Some large companies as well as some of our suppliers publish similar codes of conduct for suppliers. RBC wants to ensure that the partnerships we have with our suppliers is managed at a "best in class" level. We are proactive — we send our code to suppliers and expect them to acknowledge that they have received it and that they understand the expectations we have of them.

At this stage, as we work to set up the code with individual suppliers, we are tracking their responses. If a supplier objects to an element of the code, we use an escalation process to address the issue. To date, in most cases, we have been able to resolve issues just by having a discussion.

However, if we reach a point where differences cannot be resolved, our Supplier

Management and Governance team will lead a case review. We will decide if there are any options left — if there are any actions that can be taken — to resolve outstanding issues. If not, RBC may look at exercising our "right to terminate" as spelled out in the contract with that supplier.

Moving forward, we will continue to roll out the Supplier Code to all our existing suppliers. New suppliers will also be expected to provide an acknowledgement that they understand the code. We will monitor this deployment and work with our supplier managers to enhance the partnerships we have with our suppliers. The end goal is to ensure all our suppliers meet the expectations of both RBC and our clients to act as good corporate citizens. 🍁

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