

RBC's Environmental Blueprint

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Environment

Overview

- The History of Environmental Risk Management at RBC
- The Environmental Blueprint
- The Blue Water Program
- The Equator Principles
- Brownfield Lending



The History of ERM at RBC

- Group (of 2) was formed in 1990 to identify, evaluate and mitigate environmental risks in lending.
- RBC Policy on the Environment initially developed in 1991
- Formal policies developed for assessing environmental risk in residential, commercial and corporate lending in 1992, revised in 1997, 2002 and 2007
- Project finance policy (Equator Principles) adopted in 2004 and revised in 2007
- Environmental Blueprint and Blue Water Program released in October 2007
- Group focus has moved from a credit risk perspective to corporate environmental affairs with a much broader mandate
- Group now has 3 staff members (director, 2 senior managers)



RBC Blueprint (October 2007)

- **Environmental Footprint Reduction**
- **Promote Environmentally Responsible Business Practices**
- **Offer Environmental Products, Services and Business Opportunities**
- **Employee Involvement**
- **Move beyond Compliance**
- **Reporting and Transparency**
- **Partnership with environmental experts and select environmental non-profits**



RBC Priority Environmental Issues

1. Climate Change
2. Biodiversity
 - *Forests*
 - *Indigenous Peoples*
3. Water



Environmental Objectives

1. Reduce our environmental footprint
2. Promote environmentally responsible business activities
3. Offer environmental products and services



Reduce Our Environmental Footprint

RBC's environmental footprint comprises energy use, paper consumption, employee travel, water use, and procurement activities.

GHGs

RBC is committed to:

- reducing the greenhouse gas emissions intensity (emissions per employee or per square metre of occupied space) within our owned premises and working with our landlords toward the same objective in leased premises;
- promoting the use of alternatives to travel, such as videoconferencing and teleconferencing, where possible, and making flexible “work from home” arrangements available to employees where feasible; and
- offsetting the GHG emissions associated with the production and distribution of our major external reports using high-quality carbon offsets



Reduce Our Environmental Footprint

Energy Use

RBC is committed to:

- reducing energy use intensity (energy use per employee or per square metre of occupied space) within our premises;
- pursuing opportunities to reduce energy use in RBC's information technology systems and operations;
- encouraging our suppliers to provide energy-efficient products by adding criteria for energy use, where appropriate, to our procurement policy and standards;
- increasing the percentage of certified green power used in our Canadian branch network and purchasing clean, renewable green power, wherever it is available, for all new branches expected to open in Canada throughout 2008 and beyond

RBC has been a purchaser of green energy since 2002



Environment

Reduce Our Environmental Footprint

Procurement

RBC is transitioning our supply chain to a model that better supports our environmental sustainability priorities and objectives

RBC is committed to:

- developing a formal environmental procurement policy in 2008 that helps ensure our procurement practices reflect our environmental sustainability priorities; and
- continually updating environmental screening criteria to improve our effectiveness in procuring products and services from environmentally sustainable vendors



Reduce Our Environmental Footprint

Paper Use

We will do our part to conserve forest resources and support sustainable forest management.

RBC is committed to

- reducing the amount of paper we use, on a per employee or per customer basis, by expanding our electronic services and paperless banking options for clients and employees;
- continuing to encourage government regulators to support the electronic delivery of documents to clients, where appropriate;
- reducing or eliminating duplicate distributions of our Annual Reports and other documents; and
- ensuring that the paper we purchase contains recycled fiber and/or ensuring that, where available, the paper we use is certified by the Forest Stewardship Council, Canadian Standards Association or equivalent, indicating that it has been harvested from sustainably managed forests.



Environment

Reduce Our Environmental Footprint

Waste Management

Waste minimization through demand management, reuse and recycling are the preferred methods of reducing solid waste. However, where solid waste cannot be eliminated, we are committed to careful management and disposal.

RBC is committed to:

- disposing of electronic equipment and devices in an environmentally-responsible manner and considering disposal when we procure products and services;
- recycling paper, glass, plastic and metal throughout the organization, wherever municipal recycling programs or practical alternatives exist; and
- promoting the reuse of furniture and other fixtures to reduce the amount of materials going to landfill.



Reduce Our Environmental Footprint

Water Use

RBC is committed to improving our water use and conservation practices.

RBC is committed to:

- reducing the use of water in our facilities, on a per employee basis or per square metre of occupied space;
- encouraging the use of reusable water containers and water coolers or tap water in our premises, where appropriate;
- encouraging our larger suppliers to conserve water by adding criteria for water use, where appropriate, to our procurement procedures; and
- increasing the use of environmentally-friendly cleaning products in our facilities in order to reduce the quantity of hazardous substances in wastewater



Promote Environmental Responsible Business Practices

We will continue to work with our clients and business partners to mitigate environmental risks and support environmentally responsible business models.

Policy Framework

RBC will:

- subject our lending and our debt and equity underwriting services to a suitable level of environmental due diligence where appropriate;
- incorporate environmental risk issues, including climate change, biodiversity and water into relevant policies and decision-making processes; and
- develop and integrate sector-specific guidelines for environmental risk assessment, including mitigation, management and escalation protocols, for high impact sectors



Environment

Promote Environmental Responsible Business Practices

Clients and Transactions

RBC will:

- support transactions and business activities of qualified parties intending to reduce emissions of greenhouse gases, improve water quality and availability, or facilitate adaptation to climate change;
- not engage in financing activities with corporations operating unsustainably in tropical rainforests, High Conservation Value Forests (as per FSC definition) or UNESCO World Heritage Sites;
- ask that large corporate clients in the forest products sector be certified by the Forest Stewardship Council, Canadian Standards Association or acceptable alternative, or be committed to achieving certification within five years;



Promote Environmental Responsible Business Practices

Clients and Transactions (continued)

RBC will:

- require that clients consider the potential impacts of proposed projects to affected communities in accordance with our commitment to the Equator Principles. When impact avoidance is not feasible, we will require that clients minimize, mitigate, or compensate for such impacts. We will also require that reasonable means be employed by project sponsors for consultation with indigenous peoples and that grievance mechanisms be available for use where conflicts exist; and
- not knowingly engage in financing activities with corporations purposefully operating in material violation of applicable environmental laws



Promote Environmental Responsible Business Practices

Portfolios

RBC will:

- track and review the greenhouse gas emission intensity of large industrial emitters in our lending portfolio to assess the potential risks and identify potential opportunities associated with forthcoming regulation of these emissions



Environment

Offer Environmental Products and Services

RBC seeks to offer an expanding array of products and services that provide long-term environmental benefits, are clearly distinguishable from comparable non-environmentally focused products, and empower clients to reduce their environmental footprint at little or no additional cost.

RBC is committed to:

- participating, as appropriate, in market-based initiatives that focus on reducing greenhouse gas emissions, adapting to climate change, safeguarding biodiversity and protecting water resources;
- continuing to develop retail banking products and services to satisfy the demands of our clients for environmentally-sustainable choices.



Offer Environmental Products and Services (continued)

RBC is further committed to:

- offering responsible investment options to clients who choose to invest in companies based on social, environmental and governance considerations in addition to financial performance (eg. RBC Jantzi Funds); and
- reviewing the potential impacts of environmental issues, such as climate change, on RBC's insurance businesses.



Sustaining the Environmental Footprint

Stakeholder Engagement

- RBC will strive to foster a deeper understanding of environmental issues and the links between our physical environment and the world of financial services so as to ensure that our environmental policies, priorities and initiatives continue to be relevant and effective.

Philanthropy

- RBC will direct a significant portion of its philanthropic efforts to environmental causes, programs and initiatives globally.



Sustaining the Environmental Footprint

Oversight and Responsibility

- The RBC Corporate Environmental Affairs group, ultimately reporting to the Chief Operating Officer, has oversight responsibility for the implementation of the Environmental Blueprint.

Reporting

- RBC will continue to report publicly on our progress on environmental issues and activities through our website, our annual Corporate Responsibility Report and our Annual Report.



Other Initiatives



Environment

The Blue Water Project

In October 2007, RBC announced the creation of the RBC Blue Water Project, a 10-year, \$50 million philanthropic commitment to support one of the most pressing environmental issues facing the world today: clean water.

Access to clean water is considered to be one of the most significant global issues facing the world in the coming decades. And at the same time, we were looking for one single, global cause to support, where we could make a difference — something that would resonate in every market where we do business around the world.

We chose water.



Environment

The Blue Water Project

The RBC Blue Water Project will have three grant streams:

- > **Visionary Grants:** significant, multi-year grants to global organizations that show vision, foresight and innovation to support programs around the world, and within Canada;
- > **Leadership Grants:** annual grants given to organizations that are leaders in providing regional programs within North America, determined through an annual 'request for proposal' process and selected by an advisory panel of North American experts;



Environment

The Blue Water Project

- > **Community Action Grants:** ongoing grants given to community based organizations in Canada, the United States and the Caribbean to support local water conservation projects.

The RBC Blue Water Project is the most significant charitable initiatives RBC has undertaken in our 138 yr history. We want to do it right, making sure our funds are applied to charitable organizations that are positioned to make a real difference.



The Blue Water Project

Key dates

- Oct. 29, 2007: RBC kicks off the RBC Blue Water Project with announcement of our first grant recipient.
- November 2007 to March 2008: RBC convenes an advisory panel of experts in water conservation, preservation and education to help us finalize our funding strategy and guidelines.
- April 2008: RBC Blue Water Project grant guidelines made public and grant program opened for applications



The Equator Principles

- RBC signed the Equator Principles in 2003 to show our support for the need to better assess, mitigate, document and monitor the credit risk and reputation risk associated with financing development projects with capital costs over US\$10 million.
- By October 2007, 54 banks have signed including all major Canadian banks
- Equator Principles applies to all project development regardless of location.
- RBC reaffirmed its commitment to the revised Equator Principles on July 1, 2006.
- Have reviewed a total 14 projects under EP (6-A), (6-B), (2-C)



The Equator Principles

1. Review and Categorization
2. Social and Environmental Assessment
3. Applicable Social and Environmental Standards
4. Action Plan and Management System
5. Consultation and Disclosure
6. Grievance Mechanism
7. Independent Review
8. Covenants
9. Independent Monitoring and Reporting
10. EPFI Reporting



IFC Performance Standards

1. Social and Environmental Assessment and Management System
2. Labour and Working Conditions
3. Pollution Prevention and Abatement
4. Community Health, Safety and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity, Conservation and Sustainable Natural Resource Management
7. Indigenous Peoples
8. Cultural Heritage



Signatories to the Equator Principles

Citigroup

HSBC

Credit Suisse

ABN Amro

Barclays

Bank of America

JP Morgan Chase

Wells Fargo

West LB

HVB

Wachovia

Westpac

RBS

ING

Rabobank

RBC

Scotiabank

BMO

CIBC

TD

Manulife

And 33 others FIs



Environment

Equator Principle Challenges

- If we are not the lead bank, how much say do we really have if we disagree with the lead bank on the environmental or social risks?
- Public Consultation is supposed to free, prior and informed conducted in a culturally sensitive manner . How do you do that in regimes where public consultation is not allowed?
- How do you deal with resettlement issues?
- How do you work with the NGOs and the media?
- How to ensure that the communities where the project is located benefit from it?
- How can you be sure that the project proponent will follow through?



Brownfield Redevelopment

Definiton:

Abandoned, idle or underutilized commercial or industrial property where past actions have caused known or suspected environmental contamination but where there is active potential for redevelopment.



RBC
Financial
Group

Environment

Brownfield Redevelopment Benefits

Economic

- Creation and retention of Employment opportunities
- Increased competitiveness for cities
- Increased export potential for Canadian cleanup technology
- Increased tax base for all three levels of government



Brownfield Redevelopment Benefits

Social

- Improved quality of life in neighbourhoods (people can live closer to work and recreational facilities)
- Removal of threats to human health and safety
- Access to affordable housing



Brownfield Redevelopment Benefits

Environmental

- Reduced urban sprawl pressures on greenfields
- Restoration of environmental quality in the community
- Improved air quality and reduced GHG emissions in urban areas



Brownfield Redevelopment

Acting on behalf of RBC, I

- Former Member of the NRTEE Brownfield Task Force culminating in the report “Cleaning up the Past, Building the Future A National Brownfield Redevelopment Strategy for Canada”
- Participated in MOE working group on requirements for a “Qualified Person”
- Participated in Ontario Ministry of Housing development of a Brownfield Strategy
- Presentations on Brownfield Lending in over a dozen venues in Canada and the US
- Member of the Canadian Brownfield Network Advisory Panel
- Recognized as an expert on Brownfield lending in Canada



Environment

Ongoing Brownfield Challenges

- Lack of demand.
- Lack of consensus among banks.
- Lack of government will to get things done.
- Continuous re-invention of the wheel.



RBC Financial Group

- Named to DJ Sustainability World Index and North American Index (2007)
- RBC ranked first among large corporations worldwide for its ability to manage environmental risks and opportunities by Newsweek magazine (2007)
- Named to Global 100 Most Sustainable Corporations (2006)
- Named to Canada's 50 Best Corporate Citizens (2006)
- Named as Canada's Best Corporate Citizen (2007)
- Climate Disclosure Leadership Index (2006, 2007)
- \$83 million in donations and sponsorships (2006)



Thank You Questions?

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