

Royal Bank of Canada

# Modern Slavery Act Statement 2020



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This document constitutes Royal Bank of Canada's Modern Slavery Act Statement for 2020. This Statement is made on behalf of Royal Bank of Canada (the Bank) and a number of its subsidiaries (collectively RBC, we, us, or our) pursuant to section 54(1) of the U.K. *Modern Slavery Act 2015* (the U.K. Act)<sup>1</sup> and section 14 of the Australian *Modern Slavery Act 2018* (the Australian Act).<sup>2</sup>

<sup>1</sup> This Statement is made on behalf of the following subsidiaries of the Bank with respect to the U.K. Act: Royal Bank of Canada, RBC Europe Limited, RBC Investor Services Trust, RBC Investor Services Bank S.A., RBC Global Asset Management (UK) Limited and Royal Bank of Canada Holdings (U.K.) Limited.

<sup>2</sup> This Statement is made on behalf of the following subsidiaries of the Bank with respect to the Australian Act: Royal Bank of Canada and RBC Investor Services Trust. Since Royal Bank of Canada and RBC Investor Services Trust use the same policies and processes, this Statement constitutes a single, consolidated description of their actions to address modern slavery risks for the purposes of the Australian Act.

This is our fifth statement pursuant to the U.K. Act and our first pursuant to the Australian Act. Set out below are the policies and processes that were in place to prevent slavery and human trafficking from taking place in our operations and supply chain during our fiscal year of 1 November 2019 to 31 October 2020.

Slavery and human trafficking are contradictory to our [Purpose, Vision and Values](#). We do not tolerate slavery or human trafficking within our organization or in those of our suppliers and subcontractors. We hold ourselves to the highest standards and expect everyone in our organization to act with integrity and comply at all times with the letter and spirit of the laws, regulations and rules that apply to RBC in all the jurisdictions in which we operate. If instances arise where these expectations are not met, we will respond in an appropriate manner.

## Our Structure, Operations and Supply Chain

Royal Bank of Canada is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Our success comes from the 86,000+ employees who leverage their imaginations and insights to bring our vision, values and strategy to life so we can 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 have a diversified business model with a focus on innovation and providing exceptional experiences to our 17 million clients in Canada, the U.S. and 34 other countries.

The Bank is incorporated in Canada with corporate headquarters in Toronto and listings on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange. We operate around the world both directly and through subsidiaries under the master brand name RBC.

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Our business segments are described below:

- **Personal & Commercial Banking:** Provides a broad suite of financial products and services to individuals and businesses for their day-to-day banking, investing and financing needs in Canada, the Caribbean and the U.S.
- **Wealth Management:** Serves affluent, high net worth and ultra-high net worth clients from our offices in key financial centres mainly in Canada, the U.S., the United Kingdom (U.K.), Europe and Asia. We offer a comprehensive suite of investment, trust, banking, credit and other wealth management solutions.
- **Insurance:** Offers a wide range of life, health, home, auto, travel, wealth, annuities and reinsurance advice and solutions as well as creditor services and business insurance solutions to individual, business and group clients.
- **Investor & Treasury Services:** Acts as a specialist provider of asset services, a leader in Canadian cash management and transaction banking services and a provider of treasury services to institutional clients worldwide.
- **Capital Markets:** Provides expertise in banking, finance and capital markets to corporations, institutional investors, asset managers, governments and central banks around the world. Capital Markets serves clients from 58 offices in 14 countries across North America, the U.K. and Europe, Australia, Asia and other regions.
- **Corporate Support:** Corporate Support consists of Technology & Operations, which provides the technological and operational foundation required to effectively deliver products and services to our clients, Functions, which includes our finance, human resources, risk management, internal audit and other functional groups, as well as our Corporate Treasury function.

RBC's supply chain involves purchasing a broad range of goods and services from international, national, regional and local suppliers. Our principal supply chain includes suppliers of technology and other office equipment, software, property and facilities management services, business travel, merchandise suppliers, conference providers, recruitment agencies and various other professional and financially-related services.

## Risks of Modern Slavery in our Operations and Supply Chain

According to the 2018 Global Slavery Index, the risk of modern slavery for financial sector employees in the countries in which we operate is low. We recognize that we may be indirectly linked to the risk of modern slavery as a result of our business activities. In accordance with the United Nations Environment Programme Finance Initiative Human Rights Guidance Tool, we are aware that certain sectors of our portfolios may pose a higher risk of modern slavery, including clothing and textiles, manufacturing, agriculture and mining and metals.

Additionally, certain jurisdictions may be at higher risk for modern slavery practices. RBC manages this risk through a variety of policies, processes and practices, which are outlined in this Statement. For example, we will not knowingly serve clients whose source of wealth or revenue is derived from illegal activity, including modern slavery and human trafficking practices. We also have policies to prevent us from doing business with clients whose businesses operate in the illegal gambling or adult entertainment sectors, which are at higher risk for modern slavery.

We have made it a priority to establish a responsible and fair sourcing process while managing our supply chain effectively. We assess, identify and monitor areas within our supply chain where there may be a risk of slavery and human trafficking. These include hotels, supplier staff in off-shore locations, cleaning and security staff and providers of office supplies and promotional products.

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## Our Frameworks and Policies

We believe that good governance is the essential foundation of a respectful and inclusive corporate culture that earns trust from and builds value for our clients, shareholders, employees and communities. The Governance Committee of the Bank's Board of Directors (the Board) is responsible for monitoring trends in corporate governance and advising the Board on the effectiveness of corporate governance at RBC. The Governance Committee is also responsible for overseeing corporate citizenship matters, including environmental, social and governance (ESG) matters. Our [Statement of Corporate Governance Practices](#) provides an overview of our corporate governance structure, principles, policies and practices.

### Code of Conduct

At RBC, holding ourselves to the highest standards of integrity plays a critical role in achieving our Purpose, which is to help clients thrive and communities prosper, and our Vision of being among the world's most trusted and successful financial institutions. Our Values and [Code of Conduct](#) guide us and set expectations for our behaviour and decision-making. Our Code of Conduct is the roadmap we follow to serve our clients with the highest standards of integrity. It also lays the foundation for how we work together in a respectful, transparent and fair environment. The Code of Conduct reflects the spirit of the Universal Declaration of Human Rights and forms the basis for all of our relationships. It applies to all RBC employees, contract workers and members of the Board.

Actual or suspected violations of our Code of Conduct provisions with respect to human rights are required to be reported, which means that appropriate action is taken to review and address the issue. The Governance Committee receives regular reports on culture and conduct matters, including violations of our Code of Conduct, and monitors emerging trends and best practices to help refine a holistic approach to overseeing these issues.

### Culture and Conduct

To build and maintain the trust of our clients, investors, colleagues and communities, the Board sets and expects the highest standards of conduct at RBC. The Board, with management, sets the tone from above and promotes an open and transparent culture at RBC.

The RBC Enterprise Culture and Conduct Risks Framework and Enterprise Risk Management Framework serve as foundations to promote a risk-aware culture of "Doing What's Right." These two frameworks, along with the Enterprise Risk Appetite Framework, guide our other business risk frameworks, risk management processes and procedures and employee conduct. The Board, both directly and through its Governance Committee, oversees the management of culture and conduct throughout the entire organization, including the implementation of enterprise frameworks and policies.

### Human Rights Position Statement

In 2020, we published our first [Human Rights Position Statement](#), which sets out our commitment to meeting our responsibility to respect internationally-recognized human rights in line with the United Nations Guiding Principles on Business and Human Rights (the UN Guiding Principles). It is a roadmap for how we will strive to avoid adversely impacting human rights in connection with our business activities. In so doing, we will give particular attention to the rights of vulnerable groups who bear a disproportionate risk of adverse human rights impacts including, at a minimum, women; national, ethnic, linguistic, and religious minorities; children; persons with disabilities; LGBT+ people and migrant workers and their families.

### Environmental & Social Risk Policies

As a financial services company, the ability to manage risk is one of our core competencies and is supported by our strong risk culture and risk management approach. We define environmental and social (E&S) risk as the risk that an environmental or social

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issue associated with us, a client, transaction, product, supplier or activity will have a negative impact on our financial position, operations, legal and regulatory compliance or reputation. In particular, RBC has a specific suite of E&S risk management policies that covers a range of issues, including human rights impacts.

Our E&S risk policies support the identification of sectors, clients and business activities that may expose us to E&S risks and establish requirements to manage, mitigate and monitor E&S risk, including when to apply enhanced due diligence and escalation procedures as necessary. RBC also adheres to external standards on social risk governance. As a signatory to the [Equator Principles](#) (EP), we report annually on projects assessed according to the EP framework. Our most recent report can be found [here](#).

### Supplier Code of Conduct

Among other requirements, our [Supplier Code of Conduct](#) (the Supplier Code) requires suppliers and subcontractors to comply with human rights, labour and employment standards legislation and treat their employees with fairness and respect. In particular, suppliers must be able to demonstrate the following in their workplaces:

- Child, forced or compulsory labour is not used.
- Discrimination and harassment are prohibited, including discrimination or harassment based on any characteristic protected by law.
- Retaliation for speaking up is prohibited and employees are free to raise concerns and speak up without fear of reprisal.
- Appropriate and reasonable background screenings, including investigations for prior criminal activity, have been conducted to ensure the integrity and good character of the supplier's employees.
- Clear and uniformly applied employment standards are used that meet or exceed legal and regulatory requirements

## Our Due Diligence Processes

### Financial Crimes and Anti-Money Laundering

We have an enterprise-wide Anti-Money Laundering (AML) program designed to deter, detect and report suspicious money laundering and terrorist financing activities across our organization. The AML program's policies and procedures are designed to mitigate the risk of our products, services and delivery channels being used for money laundering or terrorist financing activities, including modern slavery and human trafficking.

To address the risk of our financial services being misused for money laundering or terrorist financing, bribery, corruption or other activities that may violate applicable economic sanctions, we have implemented comprehensive controls to monitor financial transactions across our global business units. Examples of mitigating processes and systems include:

- Transaction monitoring controls which use typology and red flag indicators as a benchmark to help identify activity indicative of potential money laundering or terrorist financing.
- A risk-based approach to monitoring for red flag indicators of specific predicate offences under money laundering legislation.
- Sophisticated client screening processes that form part of our client due diligence.

### Group Risk Management

Group Risk Management sets out the minimum E&S risk review requirements to be used by RBC Capital Markets and the Corporate Client Group when engaging in corporate lending and debt and equity underwriting. These requirements include screening clients for adherence to International Labour Organization standards, including the prohibition of child and forced or compulsory labour.

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We also consult external data on E&S risk, including on modern slavery, as part of our due diligence for social risk indicators for Capital Markets and Corporate Client Group clients and as part of country risk review, where this information supports our sovereign risk rating methodology. Similarly, our Policy and Procedure on E&S Risk Management in our Business Financial Services group provides guidance on assessing borrower E&S risk in credit transactions.

RBC's Enterprise Risk Appetite Framework provides that we will make future-focused risk decisions taking E&S risk considerations, including modern slavery practices, into account. The Board oversees the frameworks, policies and systems used to identify and manage risks to the businesses and seeks to embed a strong risk management culture throughout RBC. Our Group Risk Management team is responsible for developing and maintaining policies to identify, assess, monitor and report on E&S risk and for providing regular reviews and updates. Business segments and corporate functions are responsible for incorporating E&S risk management requirements into their operations.

### **Procurement, Third Party Risk & Supplier Management**

We have a comprehensive risk assessment and due diligence program in place for suppliers, which includes ensuring suppliers have policies that address discrimination, minimum age of employment, minimum wages, overtime hours and legally mandated benefits at all of their facilities. We risk assess suppliers at the inception of the business relationship, track changes in their risk profiles on an ongoing basis and identify negative news related to our highest risk suppliers.

When companies register to become suppliers through our fair sourcing process, they agree to operate in accordance with the principles and expectations set out in our Supplier Code. RBC maintains the right to monitor supplier compliance and to audit their control environment. We are also entitled to request information from our suppliers on their adherence to Supplier Code requirements, including those relating to child and forced or compulsory labour.

### **Human Rights**

In line with the expectations of the UN Guiding Principles, to which we refer in our Human Rights Position Statement, we began our enterprise-wide human rights salience assessment in order to better understand the ways in which our business activities could potentially impact the human rights of our stakeholders. This assessment includes consideration of modern slavery risk across different areas of our value chain. Its results are intended to help us to continue to improve our policies and processes as needed and prioritize our ongoing efforts to avoid causing or contributing to adverse human rights impacts through our own business activities and to prevent and mitigate adverse impacts to which we may be directly linked.

### **Global Asset Management**

RBC Global Asset Management (RBC GAM) provides asset management products and services in Canada, the U.S., the U.K., Europe and Asia and is part of the Bank's Wealth Management business segment. At RBC GAM, we believe that being an active, engaged and responsible owner empowers us to enhance the long-term, sustainable performance of our portfolios. We recognize that the rights we have as a large, global investor come with the obligation to actively use those rights in a responsible way. We believe that the proper disclosure and consideration of ESG risks and opportunities by the companies or countries in which we invest is critical to strengthening the overall performance of our portfolios. It is for this reason that we integrate all relevant ESG factors into our investment processes. Social factors include, but are not limited to, human rights, employee relations and working conditions, discrimination, child labour, forced or compulsory labour and health and safety. Our commitment is described in our [approach to responsible investment](#). RBC GAM is also a signatory to the [United Nations Principles for Responsible Investment](#), an investor-led initiative that seeks to advance the integration of ESG in investment decisions. For more information, visit the RBC GAM Responsible Investment [website](#).



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## Our Training

Understanding and complying with the Code of Conduct is a condition of working at RBC, and employees and contract workers must complete a related training course and attestation annually. We also provide training on financial crime, risk awareness and responsible procurement.

We train all employees and applicable contract workers to look for indicators of financial crime with a mandatory annual course. RBC works to identify, investigate and report potential cases of human trafficking as a predicate offence under the Proceeds of Crime legislation. We are active participants in the Financial Transactions and Reports Analysis Centre of Canada's successful "Project Protect" initiative, which targets human trafficking. For detailed information about our approach to anti-money laundering, see our [website](#).

In addition, we completed a comprehensive review and update of our Risk Awareness training program, which was rolled out to all employees and contract workers across the organization in 2020. This training focuses on:

- Risks that RBC faces and how we categorize risks according to the factors that impact them and the degree of control and influence we have over different types of risks.
- Our guiding risk principles, which all employees must follow to help manage and mitigate risks.
- Behaviours, judgments, decisions and actions that result in fair conduct outcomes for our clients, employees, financial markets and regulators, shareholders and communities.

Our procurement managers are also required to participate in responsible procurement training sessions that focus on supplier diversity, employment practices, health and safety and the environment. These training programs enable relevant employees and contract workers to have a broad understanding of our tools, processes and policies that promote procuring products and services only from reputable suppliers.

## Our Remediation Processes

Our Leadership Model, which sets out key behaviours expected of our workforce, encourages speaking up for the good of RBC, and our Code of Conduct requires all employees and contract workers to report actual or possible misconduct. Employees and contract workers are encouraged to speak to their manager, senior management, Human Resources, Compliance or report through the Conduct Hotline so issues can be resolved quickly and objectively. The Conduct Hotline is a global hotline available to all employees and contract workers globally to report conduct that may not align with our Values and our Code of Conduct, policies and laws or that is otherwise unethical and could put RBC at risk. This is a confidential channel facilitated by a third party and allows reports to be made anonymously.

We also have a Global Business Activities & Human Rights communication [channel](#) for our stakeholders to report concerns related to RBC business activities worldwide that may not align with our Human Rights Position Statement. Like our Conduct Hotline, this channel is secure, available 24/7, facilitated by a third party and allows for reports to be made and tracked anonymously.

Clients can raise concerns through our [Make a Complaint website](#), and anyone who has reason to believe that the spirit or principles of the Supplier Code are not being respected by an RBC Supplier can report this to [RBC Third Party Risk](#).

## Assessing our Effectiveness

This past year, with the aim of continuously improving our processes and practices for preventing modern slavery from occurring in our business or supply chain, we engaged our Internal Audit team to perform a review of the accuracy and completeness of the assertions made in our 2019 Modern Slavery Act Statement. The review focused on the governance, consultation and due diligence processes underlying our Statement, and its findings will help inform our programs, policies and initiatives directed at preventing modern slavery in our business and supply chain.

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The effectiveness of RBC's AML program is regularly evaluated to ensure it remains current and aligned with business activities, regulatory developments, industry standards and best practices. By doing so, RBC adheres to all applicable anti-money laundering and terrorist financing laws and regulatory requirements in the jurisdictions in which we operate, including guidance on money laundering risk related to modern slavery and human trafficking.

We also have quarterly AML checks for material suppliers. This allows us to baseline a supplier's risk profile and subsequently flag and assess any activities that would violate our Supplier Code. Any instances where corrective actions are required are discussed with the supplier and tracked from beginning to completion. No instances were raised for review in 2020, and there were no modern slavery or human trafficking incidents related to our suppliers identified through our supplier monitoring procedures.

To assess the effectiveness of our approach to E&S risk, we rely on input from relevant internal and external stakeholders, including investors, clients, civil society and community representatives.

## Our Consultation and Governance Process

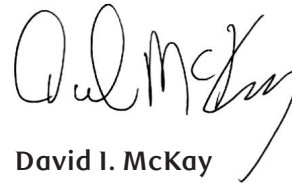
We consulted with key areas of our organization to prepare this Statement, including Procurement, Third Party Risk, Group Risk Management, Financial Crimes and Anti-Money Laundering, Finance, Human Resources, Sustainability and Law. These teams operate across our enterprise, including across the subsidiaries to which this Statement applies. This consultation process has supported our enterprise-wide approach to modern slavery. This Statement was also reviewed by the RBC Group Executive and by the senior management of RBC Investor Services Trust in Australia, as part of the consultation process required by the Australian Act.

This statement was approved by the board of directors of RBC Europe Limited on March 18, 2021; RBC Investor Services Trust on March 23, 2021; RBC Global Asset Management (U.K.) Limited on March 23, 2021; Royal Bank of Canada on March 29, 2021; RBC Investor Services Bank S.A. on March 30, 2021 and Royal Bank of Canada Holdings (U.K.) Limited on April 22, 2021.

## Conclusion

RBC remains committed to preventing slavery and human trafficking from taking place in our businesses and in our supply chains. We will continue to review our policies, procedures and practices on an ongoing basis to determine any enhancements we can make to help prevent modern slavery and human trafficking.

Signed by



David I. McKay

**President and Chief Executive Officer, Director,  
Royal Bank of Canada**

**April 30, 2021**