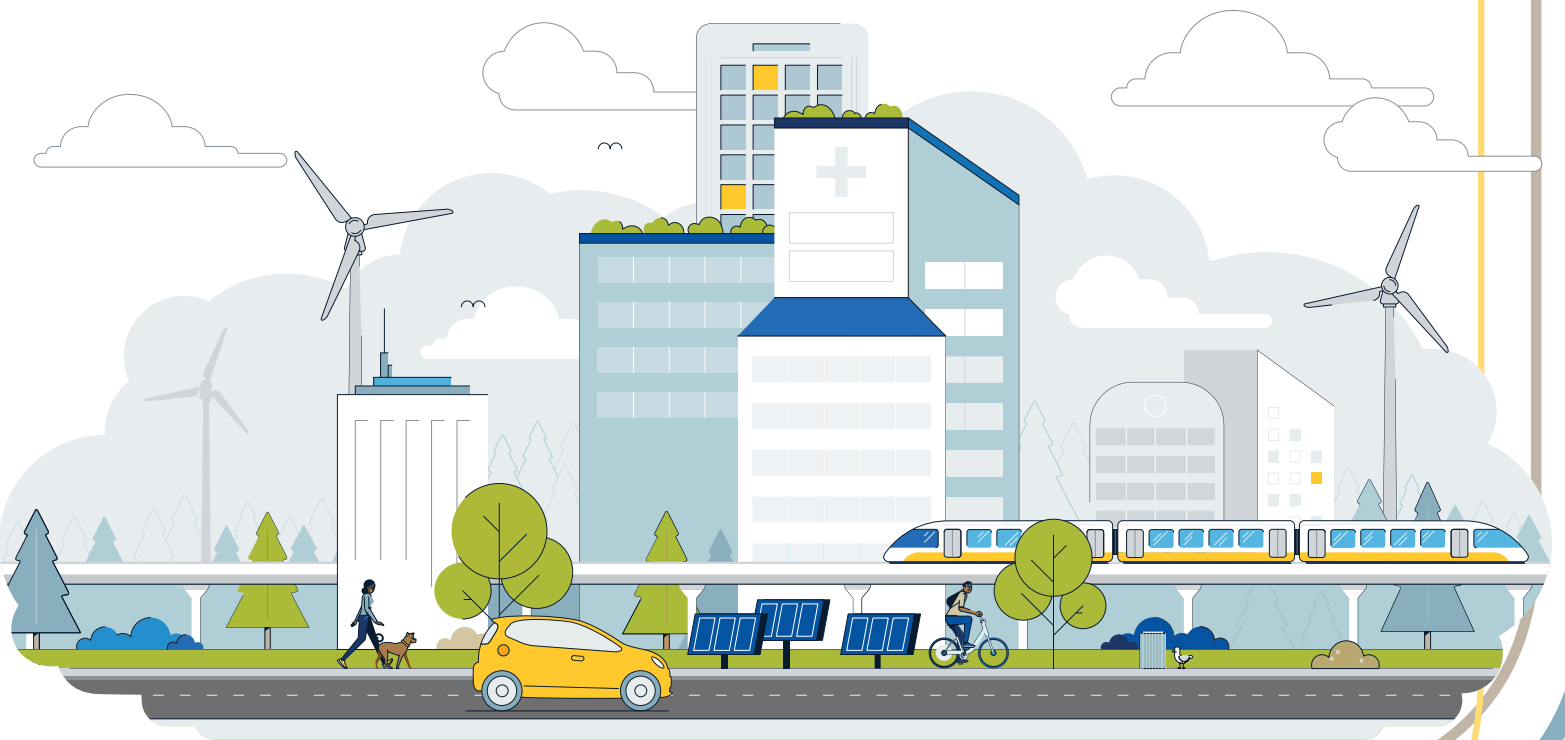


Royal Bank of Canada

RBC Sustainable Commercial Paper Framework



December 1, 2022



Important notice regarding this framework and Caution regarding forward-looking statements

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The Sustainable Commercial Paper is not expected to satisfy any regulatory criteria or taxonomies for environmentally sustainable financial products, investments or activities in any jurisdiction, including, but not limited to, those set out under the Regulation of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation (EU) 2020/852). Prospective investors are responsible for and should analyze their own legal and regulatory position and are encouraged to consult with their own investment and legal advisors, regarding scope and application of and compliance with any applicable regulations and the suitability of the Sustainable Commercial Paper for investment.

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finance industry standards, the aims, deployment and implementation of this Framework, the allocation of sustainable finance proceeds, the sustainable finance market, the risks and estimated impacts associated with sustainable finance transactions, products and services, our commitment to align our lending activities to net zero emissions by 2050, as well as our economic, environmental (including climate), social and governance-related impacts and objectives. 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 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 eligible green asset and eligible social asset 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, 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, and/or their commitments to us, strategic, reputation, competitive, model, legal and regulatory environment, systemic 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 of our most recent Annual Report, as updated by subsequent quarterly reports to shareholders.

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 emissions 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.

About RBC

Royal Bank of Canada 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: to help clients thrive and communities prosper.

The aim of our purpose-driven approach to environmental, social, and governance (“ESG”) issues is to 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 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 & 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 the financial well-being of our clients 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. We also see sustainable finance as a significant growth opportunity for our clients and our business. The issuance of short-term Sustainable Commercial Paper is one way that we are supporting the development of the sustainable finance market by offering a new and innovative product to investors while supporting our ability to finance organizations and projects that are contributing to a sustainable future. RBC will continue to use its Sustainable Bond Framework to govern the issuance of longer-term Green, Social and/or Sustainability Bonds. 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.

You can learn more about our purpose-driven approach to ESG and sustainable finance in our **ESG Performance Reports**.

Our Framework

RBC’s Sustainable Commercial Paper Framework (“Framework”) has been developed in accordance with the International Capital Market Association (“ICMA”) Sustainability Bond Guidelines 2021 (“SBG”) and is based on four core components:

1. Use of proceeds
2. Process for evaluation and selection
3. Management of proceeds
4. Reporting

Under this Framework, RBC can issue commercial paper where the proceeds will be exclusively applied to fund, in part or in full, new and/or existing Green Assets and Social Assets (as both terms are defined in “Use of Proceeds” below) and which is aligned with the four core components of this Framework.

The Framework also describes the manner in which RBC Sustainable Commercial Paper (“SCP”) supports and contributes towards meeting the United Nations Sustainable Development Goals (“UN SDG”). Upon issuance, additional details regarding the objective of the SCP, intended benefits and Eligible Categories of the assets may be disclosed.






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

Use of Proceeds

The proceeds of RBC SCP will be allocated exclusively to fund, in part or in full, Eligible Assets. Eligible Assets may include, but are not limited to, USD denominated public finance assets funded and held directly by us or our affiliate, RBC Capital Markets LLC, as well as high-quality liquid assets (“HQLA”) held to satisfy RBC’s regulatory-required liquidity buffer obligations imposed for RBC’s commitments to clients’ public finance transactions that meet the criteria in the Eligible Categories in Table 1 and Table 2 below.

Table 1: Eligible Green Assets

Eligible Green Assets under this Framework are those that support key environmental objectives including climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

Eligible Categories	Description	UN SDG Alignment
<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 direct emissions <100g CO₂/kWh • Waste biomass and renewable biofuels sourced from sustainable agriculture and forestry residues with direct emissions <100g CO₂/kWh • Tidal • Run of river and small scale hydroelectricity <25 MW. Hydroelectricity projects >25 MW must meet power density or lifecycle emissions thresholds² • 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 that:</p> <ul style="list-style-type: none"> • Enable generation capacity where 67% or more of newly enabled capacity has an emissions threshold <100g CO₂/kWh; or • Have an average systems grid emissions threshold <100g CO₂/kWh 	
<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>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, hazardous waste or contaminated soil</p>	
<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"> • Conservation, restoration and ongoing management of forests, wetlands, watercourses and other natural habitats and landscapes • Preservation of open spaces and natural resources to improve land for parks and other natural areas used for recreation purposes 	







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.

Eligible Categories	Description	UN SDG Alignment
Clean transportation	<p>Construction, development, operation, acquisition and maintenance of low carbon transportation assets, including:</p> <ul style="list-style-type: none"> • Electric, hydrogen and non-motorized vehicles and supporting infrastructure • Infrastructure and rolling stock for mass transit³ 	
Sustainable water and wastewater management	<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 management • Water metering activities to support conservation initiatives • Water distribution systems with improved efficiency 	
Terrestrial and aquatic biodiversity	<p>Activities that contribute to the enhancement or conservation of terrestrial or aquatic biodiversity, including:</p> <ul style="list-style-type: none"> • Protection of coastal, marine and watershed environments • Projects that support, protect or restore biological diversity in urban areas such as green roofs, green spaces and other natural infrastructure 	
Green buildings	<p>Construction, development, operation, acquisition and maintenance of residential and 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 schemes⁴; or • Achieved, based on third party assessment, GHG emission performance in the top 15% in the local market; or • Achieved, based on third party assessment, energy savings of at least 30% over baseline energy consumption from retrofits 	
Climate adaptation and resilience	<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) 	
Circular economy adapted products, production technologies and processes	<p>Projects or organizations that facilitate or carry-out circular economy activities, including:</p> <ul style="list-style-type: none"> • Substitution of 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 • Production of products that can be recycled or composted where the input feedstock is from recycled/reused waste • Increasing the capacity utilisation of a product or asset during its useful life (e.g. through sharing and/or predictive maintenance) 	

3. Public transportation inherently delivers environment benefits by reducing the number of people driving single occupancy vehicles, however, where possible RBC will prioritize public bus fleets powered by alternative fuels (e.g., electric/hydrogen fueled buses with no direct emissions). 4. RBC will prioritize LEED Gold or Platinum or equivalent levels in other certification schemes, however, in certain cases LEED Silver projects may be eligible.

Table 2: Eligible Social Assets

Eligible Social Assets under this Framework are those that provide clear benefits to people, and help build more inclusive and strengthened communities. Eligible Social Assets 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 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 SDG Alignment
Access to essential services	<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 universities, colleges, schools and training centres) • Healthcare (including 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 	 
Affordable housing	<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 jurisdiction⁵, 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% of pre-tax income • Social housing at below-market rents to low or moderate income earners <p>No-cost housing solutions such as homeless shelters and transition housing for homeless families and individuals</p>	
Affordable basic infrastructure	<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>	  

Exclusionary Criteria

RBC will not knowingly consider as eligible under the Framework nor allocate SCP proceeds to any public finance asset with Sources of Repayment or Use of Proceeds classified by RBC as being any of the following:

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

5. Based on applicable definitions within the jurisdiction in which it is built, such as housing receiving Low Income Housing Tax Credits (“LIHTC”) (<https://www.huduser.gov/portal/datasets/lihtc.html>) that meet our eligibility criteria, or other regional equivalents

Process for Asset Evaluation and Selection

A SCP Working Group (“Working Group”) will oversee the implementation of the Framework. The Working Group will be comprised of representatives from RBC Capital Markets’ Central Funding, Treasury Services, Municipal Finance and Sustainable Finance groups. The Working Group will draw on support from Corporate Citizenship, Risk Management and Law groups as required.

RBC will determine whether an asset is eligible for our Sustainable Commercial Paper Portfolio (the “Portfolio”) using our own reasonable judgment and in our sole discretion based on alignment of the financed activities of each asset with the Eligible Categories described above. RBC has engaged Kestrel ESG, a division of Kestrel 360, Inc., to assist us in our identification of Eligible Assets for our Portfolio.

Each Eligible Asset is evaluated by Kestrel ESG based on Kestrel ESG’s independent scoring methodology. Scores are summarized by Kestrel ESG on a scale of 1 to 5, where high scores reflect assets with positive environmental and social impacts. In most but not all cases, a Kestrel ESG Impact Score of greater than 3.0 indicates environmental and/or social benefits greater than business-as-usual.

RBC will only consider an asset with financed activities that align with the Eligible Categories described above and with an individual, minimum Kestrel ESG Impact Score of greater than 3.0 as eligible for the Portfolio. Kestrel’s independent ESG Impact Scores are used by RBC in addition to alignment with RBC’s Eligible Categories in order to increase transparency into the ESG characteristics of each Eligible Asset.

The Portfolio will be reviewed by the Working Group on a regular basis to confirm that all Eligible Assets continue to meet the Eligible Categories and minimum Kestrel ESG Impact Score. Assets that have been sold, pledged, matured, or no longer comply with the criteria will be removed from the Portfolio.

All Eligible Assets are subject to consistency with RBC’s applicable environmental and social risk policies. 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.

Management of Proceeds

All Eligible Assets in our Sustainable Commercial Paper Portfolio will be identified as Eligible Assets in RBC's information management systems. The Portfolio will be dynamic, with Eligible Assets that have been sold, pledged, matured, or no longer comply being removed and new Eligible Assets being added. Proceeds from SCP offerings will be directed into one or more designated distribution accounts at RBC's New York Branch (an "ESG Transit book") and disbursed to support Eligible Assets. The ESG Transit book will be monitored on a regular basis to confirm that total Eligible Assets is greater than a minimum of 125% of the aggregate amount of proceeds outstanding.

Reporting

Allocation Reporting

RBC will make and keep readily available Sustainable Commercial Paper reporting detailing the proceeds raised from each note and the total amount allocated to Eligible Assets at the reporting period end. Allocation reporting will be distributed to investors on a quarterly basis. Allocation reporting will not include updates on individual Eligible Assets.

Impact Reporting

Sustainable Commercial Paper impact reporting will be prepared by RBC and distributed to investors on an annual basis. Where feasible, RBC will provide information and examples of Eligible Assets funded by RBC SCP. Portfolio-level metrics may include:

- Financed areas by sector based on Kestrel ESG sector assignment;
- Average Kestrel ESG Impact Score and distribution;
- A list of the UN SDGs and targets supported by the Eligible Assets;

RBC's SCP impact reporting will be made publicly available on [rbc.com](https://www.rbc.com).

External Review

RBC has obtained an external review from Kestrel Verifiers to confirm the alignment of our Framework with the ICMA Sustainability Bond Guidelines. Kestrel Verifiers, a division of Kestrel 360, Inc., is a leading verifier of Green, Social, and Sustainability Bonds in U.S. public finance. The external review is published on [rbc.com](https://www.rbc.com).

For Commercial Paper issued under this Framework, RBC may request on an annual basis a limited assurance report of the allocation of SCP proceeds to Eligible Assets, provided by our external auditor.



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