

# Green Bond Investor Presentation

April 2019



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# How we deliver value

Royal Bank of Canada (RBC®) is a purpose-driven, principles-led global financial institution with a diversified business model focused on innovation and providing exceptional experiences to our 16 million clients and 84,000+ employees.



## What we do

- Personal & Commercial Banking
- Wealth Management
- Capital Markets
- Insurance
- Investor & Treasury Services



## Where we operate

- Canada
- United States
- 33 other countries



## Who we are

84,000+ employees bring our Vision, Values and Strategy to life so we can help clients thrive and communities prosper. How we achieve success is as important as what we achieve.



## Value for Clients

- Deep, multifaceted relationships with clients
- Innovative, digitally enabled experiences and insights
- Expansive and accessible physical network
- Security and privacy through strong technology and data foundations
- Products and services with positive social impact



## Value for Employees

- Creating exceptional experiences
- Inspiring a diverse and inclusive workforce
- Attracting and retaining the best talent
- Growing and developing our employees



## Governance & Integrity

- Responsible governance
- Strong risk conduct and culture
- Effective risk management



## Value for Society

- Helping communities prosper
- Preparing young people for the future of work
- Advancing financial literacy and inclusion
- Generating and distributing economic value
- Supporting an inclusive and responsible supply chain



## Value for Planet

- Accelerating a low-carbon economy
- Advancing our capabilities in climate risk management
- Maintaining net-zero carbon emissions in our global operations
- Using technology to address complex environmental challenges

Helping clients thrive and communities prosper

## 2018 Value for Investors

13% Three-Year Total Shareholder Return  
(Global Peer Average: 9%)

17.6% Return on Equity  
(Target: 16%+)

10.6% Diluted Earnings Growth per Share  
(Target: 7%+ growth)



# Our history of environmental leadership

| Year | Environmental Milestone                                                                                                                                                                                                                                 |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1991 | <ul style="list-style-type: none"> <li>Established an Environmental Risk Management team and published our first corporate environmental policy</li> </ul>                                                                                              |
| 2003 | <ul style="list-style-type: none"> <li>Issued our first response to the Carbon Disclosure Project</li> </ul>                                                                                                                                            |
| 2005 | <ul style="list-style-type: none"> <li>Became the first major Canadian Financial Institution to partner with Bullfrog Power to purchase renewable energy credits (RECs)</li> </ul>                                                                      |
| 2007 | <ul style="list-style-type: none"> <li>Launched the RBC Environmental Blueprint which set out our corporate environmental policy, priorities, and objectives</li> </ul>                                                                                 |
| 2008 | <ul style="list-style-type: none"> <li>Launched the RBC Blue Water Project, our 10-year, \$50 million global charitable commitment to protect water.</li> </ul>                                                                                         |
| 2014 | <ul style="list-style-type: none"> <li>Updated the RBC Environmental Blueprint to include numerous targets and commitments to drive our environmental programming through to the end of 2018.</li> </ul>                                                |
| 2017 | <ul style="list-style-type: none"> <li>Published our Climate Change Position and Disclosure Statement outlining the steps we are taking to manage climate risks and opportunities, and our ongoing commitment to climate-related disclosures</li> </ul> |
| 2018 | <ul style="list-style-type: none"> <li>Participated in a United Nations-led pilot project to implement the recommendations set out by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).</li> </ul>            |
| 2019 | <ul style="list-style-type: none"> <li>Established a Sustainable Finance Group within Capital Markets and announced a commitment to provide \$100 billion in sustainable finance by 2025.</li> </ul>                                                    |

## Awards & Recognition<sup>1</sup>



## Commitments & Partnerships



## RBC's Environmental, Social & Governance (ESG) Performance

Overall – ESG Composite Index<sup>2</sup>  
**“81%”**

1. Member of the Dow Jones Sustainability North American Index, 2018; Member of the FTSE4Good Index, 2018; One of Canada's Greenest Employers, 2019; Member of the RobecoSAM Sustainability Yearbook, 2019.  
 2. Composite index score compiled from the percentile ranking results of our four top-tier ESG ratings/rankings, including RobecoSAM's Corporate Sustainability Assessment (informing inclusion on Dow Jones Sustainability Index), Sustainalytics, MSCI ESG Rating and FTSE4Good. PricewaterhouseCooper (PwC) provided limited assurance over this figure in 2018.



# Our approach to climate change

## Our Strategy

- Our approach to sustainability is central to our business and to our stated purpose, which is to help clients thrive and communities prosper.
- We believe that climate change is one of the most pressing challenges facing our world today, and that's why we're leading efforts to support clean economic growth and the transition to a low carbon economy.
- As part of this effort, RBC has committed to provide \$100 billion in sustainable finance by 2025.

## Our Priorities

- ✓ Support clients in the transition to a low-carbon economy with our products, services and advice.
- ✓ Achieve net-zero carbon emissions in our global operations annually.
- ✓ Speak up for smart climate solutions.
- ✓ Invest in technology to address complex environmental challenges.
- ✓ Advance our capabilities in climate risk management.

**FY2017 Climate Change Position & Disclosure Statement**

**Introduction**

Climate change is one of the most pressing issues of our time and affects almost all sectors and industries. There is strong scientific evidence that climate change is caused by human activities – largely fossil fuel combustion, deforestation and other changes in land use. These activities increase the concentration of greenhouse gases (GHG) in the earth's atmosphere, causing global warming. The result is rising temperatures, changing weather patterns, and more frequent and extreme weather events. The impacts of climate change are already being felt and as global warming continues, it may adversely affect the health, safety and security of our communities, and the economic sector which Royal Bank of Canada (RBC), we, our staff and our clients operate.

Climate change has generated a global response. In December 2015, nearly 200 governments adopted the Paris Agreement, a legally binding international agreement aimed at safeguarding economic growth by preventing the worst impacts of climate change. The central aim of the Agreement is to limit global warming to well below 2°C above pre-industrial Revolution levels, and to pursue efforts to keep it to 1.5°C. The Agreement also emphasizes the need to direct financial flows consistent with a pathway towards low carbon emissions and climate resilient development.

**Our Commitment to Sustainable Finance**

Our approach to sustainability is central to our business and to our stated purpose, which is to help clients thrive and communities prosper. We believe that sustainable finance represents a growth opportunity for our business and our clients and we are committed to providing \$100 billion in sustainable finance by 2025.

We believe in the importance of transparency and disclosing how we will measure progress against our goal. We have determined eligible environmental and social categories, aligned with the **Green Bond Principles** and **Social Bond Principles**, and developed an accounting methodology that reflects our role in each transaction.

**Eligible Environmental and Social Categories**

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Sustainable land use
- Clean transportation
- Sustainable water management
- Green buildings
- Affordable housing
- Access to essential services
- Socioeconomic advancement and empowerment

**Financial Accounting Methodology**

The transactions that are counted towards the goal span a diverse range of products and services, including but not limited to:

- Rating capital and providing advisory services for sustainable clients and projects
- Public sector finance
- Tax equity investments in renewable energy and affordable housing
- Green, social and sustainability bond underwriting
- Credit solutions for sustainable businesses and projects, including green and sustainability linked loans
- Retail and commercial auto financing

Our methodology is designed to reflect RBC's share of each transaction and, where necessary, we apply a league table credit methodology to capture our direct contribution.

The sustainable finance market is evolving rapidly, with additional criteria being developed and new products and services becoming available. We recognize this complexity and we are committed to working across industry sectors, with government, other financial institutions and third parties to promote consistency and comparability, and to evolving our methodology as needed to reflect the changing landscape.

**Examples of Transactions that Count Towards Our Goal**

- U.S. GOVERNMENT BOND**: RBC Capital Markets was lead arranger for the issuance of \$10 billion in U.S. Treasury Inflation Protected Securities (TIPS) to support the U.S. Treasury's financing needs.
- AXIUM CAPITAL MARKETS**: RBC Capital Markets was joint lead arranger for the issuance of \$100 million in U.S. Corporate Renewable Interest in Five Quarters and Renew.
- BORALEX**: RBC Capital Markets was joint lead arranger for the issuance of \$100 million in U.S. Corporate Renewable Interest in Five Quarters and Renew.
- sse**: RBC Capital Markets was joint lead arranger for the issuance of \$100 million in U.S. Corporate Renewable Interest in Five Quarters and Renew.
- FreddieMac**: RBC Capital Markets was joint lead arranger for the issuance of \$100 million in U.S. Corporate Renewable Interest in Five Quarters and Renew.



# Our Green Bond Framework

RBC's Green Bond Framework has been developed in line with the ICMA Green Bond Principles (GBP) 2018 and is intended to provide transparency in our Green Bond issuance and reporting processes.

## Use of Proceeds

- Eligible asset categories include renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, clean transportation, sustainable water and wastewater management, and green buildings.

## Process for Project Evaluation and Selection

- A Green Bond Working Group composed of representatives from Corporate Treasury, Capital Markets, Personal & Commercial Banking, and Corporate Citizenship will oversee the implementation of RBC's Green Bond Framework.
- RBC's Capital Markets, Personal & Commercial Banking and Environmental Affairs teams are responsible for screening potential Eligible Assets against RBC's Green Bond eligibility criteria.
- RBC will maintain a single pool for Eligible Assets in a "Green Bond Asset Portfolio" which will be reviewed on a quarterly basis to ensure that all Eligible Assets continue to meet the eligibility criteria. Assets that have been terminated or no longer comply will be removed and new eligible assets will be added to the Green Bond Asset Portfolio.

## Management of Proceeds

- RBC's Green Bond proceeds will be managed in a portfolio approach.
- The Green Bond Working Group will monitor the aggregate amount of assets in RBC's Green Bond Asset Portfolio on a quarterly basis to ensure it is equal to or greater than the aggregate amount of proceeds raised by RBC Green Bonds.

## Reporting

- RBC intends to make and keep readily available Green Bond allocation and impact reporting within a year from issuance, to be renewed annually until full allocation and in case of any material changes.

# Our alignment with the SDGs

RBC's Green Bond Framework also describes the manner in which RBC Green Bonds support and contribute towards meeting the United Nations Sustainable Development Goals (SDGs).

| Use of Proceeds Category                                                        | SDG                                                                                 | SDG Target                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Renewable Energy                                                                |    | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix                                                                                                                                                               |
| Energy Efficiency                                                               |    | 7.3 By 2030, double the global rate of improvement in energy efficiency                                                                                                                                                                                  |
| Pollution Prevention and Control                                                |    | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse                                                                                                                                                   |
| Environmentally sustainable management of living natural resources and land use |    | 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.                                            |
| Clean transportation                                                            |   | 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes                               |
| Sustainable water and wastewater management                                     |  | 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally |
| Green buildings                                                                 |  | 11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters     |

# Sustainalytics' Second Party Opinion

- RBC's Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018.
- The seven eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles 2018.
- Loans to finance businesses and projects related to renewable energy, energy efficiency, pollution prevention and control, sustainable resource management and land use, clean transportation, sustainable water and wastewater management, and green buildings will lead to positive environmental impacts and advance the UN Sustainable Development Goals.
- RBC's process for project evaluation and selection is in line with market best practice, while management of proceeds and reporting are in line with market practice.
- RBC's internal processes and mechanisms to mitigate risks associated with its financing activities are in line with market practice, ensuring that the Bank is well positioned to address common environmental and social risks.

**Second-Party Opinion**  
**Royal Bank of Canada Green Bond**

**Evaluation Summary**

Sustainalytics is of the opinion that the RBC Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

- USE OF PROCEEDS** The seven eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that loans to finance projects related to renewable energy, energy efficiency, pollution prevention and control, sustainable resource management and land use, clean transportation, sustainable water and wastewater management, and green buildings will lead to positive environmental impacts and advance the UN Sustainable Development Goals.
- PROJECT EVALUATION / SELECTION** RBC has established a Green Bond Working Group to oversee the RBC green bond programme, which will include senior representatives from a variety of departments, including Corporate Treasury, Sustainable Finance, Environmental Affairs, and Corporate Banking. The Group will review the eligible portfolio on at least a quarterly basis. In addition, the Bank is a signatory to the Equator Principles. This is in line with market best practice.
- MANAGEMENT OF PROCEEDS** RBC will tag eligible assets in its existing global credit management system. The Green Bond Working Group will ensure that the portfolio balance meets or exceeds the amount of outstanding green bonds. Unallocated proceeds will be held in money market instruments, as part of the Bank's liquidity portfolio. This is in line with market practice.
- REPORTING** RBC will report annually, on any outstanding green bonds, information regarding allocation and impacts. Allocation information will include amounts aggregated at the category level, while impact reporting will include key performance indicators at the category level. In Sustainalytics' view, reporting on these metrics is in line with market practice.

**SECOND-PARTY OPINION**

|                        |                 |
|------------------------|-----------------|
| <b>Evaluation date</b> | March 2019      |
| <b>Issuer Location</b> | Toronto, Canada |

**Report Sections**

|                         |   |
|-------------------------|---|
| Introduction            | 2 |
| Sustainalytics' Opinion | 3 |
| Appendices              | 8 |

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