

# RBC Capital Markets (Europe) GmbH

## 2024 ESG Mid-year Disclosure

Report Date for Financial Year: 30<sup>th</sup> April 2024

Report Completion Date: May 2024



**STRICTLY PRIVATE AND CONFIDENTIAL**

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## 1.0 ESG Risk Summary

### Organisation

As an investment firm, RBC Capital Markets (Europe) GmbH (“RBC EG”) is subject to the Investment Firm Regulation (“IFR”) Article 53, requiring the disclosure of information on environmental, social and governance (ESG) risks, including climate-related physical and transitional risks.

Requirements are supplemented with further detail where relevant through the European Banking Authority (“EBA”) Regulatory Technical Standards (“RTS”) and Implementing Technical Standards (“ITS”).

### ESG Risk Summary

- Global Investment Banking (GIB): The GIB business is as described in the Business Profile section of the 2024 IFR disclosure. ESG-related risks for the GIB business are monitored and are determined to be low.
- Global Markets: The Global Markets business is as described in the Business Profile section of the 2024 IFR disclosure. ESG-related risks for the Global Markets business are monitored and are determined to be low.

The detail of this assessment is presented in the subsequent sections.

### Basis and Frequency of Disclosure

This document provides information on RBC EG’s ESG-related risks. The information will be disclosed on a biannual basis, as at its mid-year end of April and financial year end of October.

This disclosure has been reviewed and approved by the Company’s Management Board and published on the Company’s public website: <https://www.rbc.com/regulatory-information/basel-disclosures.html#basel-iii-content>

## 2.0 Governance

The Group Board oversees how the Group manages environmental and social (“E&S”) risks, the enterprise approach to E&S risks, and how the Group conducts business to meet high standards of E&S responsibility. The Group Board approved the Group updated climate strategy, the RBC Climate Blueprint, which was last updated in February 2022. The Committees of the Group Board have oversight of E&S risks that are specific to their respective responsibilities, with the Governance Committee playing a specific oversight and coordination role over ESG matters, including over certain of our ESG-related disclosures. For further details on the Group risk governance, refer to the Enterprise risk management – Risk governance section of the RBC Group Annual Report.

Roles and responsibilities related to E&S risk management are governed by the Enterprise Risk Management Framework and the three lines of defence governance model. Business segments and functional areas are responsible for incorporating E&S risk management requirements within their own operations, while GRM is responsible for developing and maintaining an integrated enterprise view of E&S risk, including establishing policies and procedures, and performing effective challenge and oversight in relation to E&S risk.

RBC EG’s governance for managing ESG-related financial risks has continued to evolve. RBC EG’s current governance framework has embedded the identification and management of risks to RBC EG’s business at the Management Board, executive and management levels, including:

ESG Risk Reporting and Oversight	
RBC EG Management Board	<p>The Management Board has the overall responsibility for the supervision, governance, performance, and strategic direction of RBC EG. It also holds responsibility for the oversight and management of risk within RBC EG.</p> <p>The Management Board receives quarterly information on financial and non-financial ESG-related risks.</p>

RBC EG Supervisory Board	<p>The RBC EG Supervisory Board has delegated responsibility from the shareholders of RBC EG to supervise and advise the Managing Directors of the entity.</p> <p>It is charged with providing review and challenge for RBC EG strategies and policies related to risk-taking, management, follow-up, and mitigation, including the risks generated by the economic outlook.</p> <p>The Supervisory Board reviews the Addenda to the Enterprise Risk Frameworks and assesses alignment of strategic planning, financial planning, risk appetite and ESG matters.</p>
RBC EG Risk Management Committee ("RMC")	<p>The RMC is an executive management governance committee to enable the effective oversight and management of Risk and is established under the specific authority of the MD, Head of Functions (who is also Member of the Management Board).</p> <p>The RMC receives monthly information on financial and non-financial ESG related risks.</p>

### 3.0 ESG Strategy

As a wholly owned subsidiary of RBC Group, RBC EG falls within scope of the Group's ESG strategic priorities. In 2023, RBC introduced its Purpose Framework – Powering Ideas for People and Planet which aims to create clarity and structure around three societal ambitions where RBC can have a meaningful impact. Building on existing ESG policies, programs and initiatives, RBC wants to help accelerate the transition to a greener economy, equip people with skills for a thriving future and drive more equitable prosperity in the communities where we operate through five contribution areas: mobilize climate action, support financial well-being, invest for skills, champion inclusion, and strengthen community resilience. Each year, the Group publishes its Environmental, Social and Governance (ESG) Progress Report outlining how it is creating value for its stakeholders. This report is part of a suite of ESG reporting, including the Group's annual Climate Report which highlights how the Group is managing climate-related risks and opportunities. These reports and other related information are available on the Group's website at [RBC ESG Reporting](#).

### 4.0 Risk Management

As a wholly owned subsidiary of RBC Group, RBC EG falls within scope of the Group's risk management approach.

RBC's Enterprise Policy on Environmental (including Climate) and Social Risk serves as the foundation for RBC's approach to managing environmental and social ("E&S") risks arising from RBC's activities. RBC Group's approach to managing E&S risk seeks to integrate this risk into the risk management construct of the impacted relevant risk areas, and into our strategic, financial, and capital planning processes. RBC is working to achieve this by embedding E&S risk considerations into the four components of its risk management approach (risk identification and assessment, risk measurement, risk controls, and risk monitoring and reporting), adopting industry best practices, and meeting or exceeding regulatory expectations as they continue to evolve and take shape.

RBC EG uses the governance structure described in section 2 above to consider ESG-related matters which have been identified within RBC EG as potentially relevant to RBC EG's decision-making processes and strategic planning.

Please see page 107 of the Royal Bank of Canada: [Annual Report 2023](#) for an overview of environmental and social risk.

#### *Financial Risks from ESG*

#### **Definition**

**Environmental and social (E&S) risk** is the potential for an E&S issue associated with us, a client, transaction, product, supplier, or activity, to have a negative impact on us, including our financial position, operations, legal and regulatory compliance, or reputation. It refers to the risk that we face as a result of the manner in which we, our suppliers or our clients manage E&S issues or relationships with stakeholders and communities. E&S issues include, but are not limited to, site contamination, waste management, land and

resource use, biodiversity, water quality and availability, climate change, environmental regulation, human rights (including, but not limited to social and racial inequality and Indigenous Peoples' rights), and community engagement. E&S risks, including climate risk, are each unique and transverse risks and impact all our principal risk types in different ways and to varying degrees, including but not limited to strategic, operational, credit, reputation, legal and regulatory environment, and regulatory compliance risks.

- **Climate risk** is the risk related to the global transition to a net-zero economy (transition risk) and the physical impacts of climate change (physical risk), which includes both chronic (longer-term) risks (e.g., rising sea levels and increases in average temperatures) and acute (event driven) risks (e.g., wildfires and floods). Both we and our clients may be exposed to climate related transition risk, including through emerging regulatory and legal requirements, changing business and consumer sentiment towards products and services, technological developments, and changes in stakeholder expectations. Additionally, we and our clients may be vulnerable to climate-related physical risk through disruptions to operations and services.

**Governance risk:** For the purpose of this report only, RBC EG has adopted the EBA's definition of governance risks being the "risks of any negative financial impact on the institution stemming from the current or prospective impacts of governance factors on its counterparties or invested assets" (EBA/REP/2021/18, section 88 page 49).

### High Climate-Sensitive Sectors

RBC EG has developed a climate risk approach to identify sectors that have a high sensitivity to climate risk. RBC EG has drawn on guidance from the Task Force for Climate Related Financial Disclosures (TCFD) and the Net Zero Banking Alliance (NZBA) to develop its climate risk framework. RBC EG maps its investment exposure and client revenue to high climate-sensitive sectors in order to monitor for high climate-sensitive exposure concentration.

### Risk Identification

RBC has defined a structured, qualitative and quantitative risk identification ("Risk ID") programme as outlined in the RBC EG Risk Identification and Assessment Policy. During the 2023 Risk ID exercise, RBC EG identified ESG Risk as a low risk.

### Risk Profile

RBC EG has identified potential ESG-related risk as set out below. In all instances the relevant risks have been determined to be low.

Risk	Function/ Business	Risk Description	Metrics and Mitigants	Determined Risk
Environmental (including Climate) Risk	All Business	Climate risk may lead to reduced corporate profitability for RBC's clients which may adversely affect their demand for business with RBC EG.	Concentration of RBC EG clients in businesses in high climate-sensitive sectors is reviewed quarterly.	Low
	RBC EG Global Markets	Climate risk may lead to issuer default where RBC EG and/or its clients hold climate-sensitive publicly traded securities.	To date, RBC EG has not held publicly traded climate-sensitive securities. Exposure to climate-sensitive securities is reviewed quarterly.  A market decline scenario is performed and reviewed annually.	Low
	RBC Reputation	RBC Group's brand and reputation are fundamental to earning the trust of clients, and a vital driver of success. RBC EG is exposed to reputational risk due to any	We continue to monitor trends in climate-related litigation and regulatory enforcement actions, including those involving claims of "greenwashing", which generally refer to claims that false or misleading information	Low

		perceived contribution by RBC to climate change and/or a lack of action to mitigate climate change.	about an organization's products or services or operations has been conveyed to suggest that the organization is doing more to protect the environment than it is, and to assess the impact on our litigation and regulatory compliance risks.	
	RBC EG Premises	RBC EG's offices are exposed to physical risk. Business Continuity risk exists where due to an extreme weather event, RBC EG is unable to continue essential business operations.	A business continuity plan is in place in the event of an operations disruption.	Low
Social & Governance Risks	All Business	Third party social and governance risks could pose potential reputational and/or litigation risk to RBC EG.	RBC monitors for social and governance risks through third-party onboarding and ongoing due diligence processes.	Low

As regulatory frameworks and internal processes advance, RBC EG will continue to work to better understand how ESG risk could materialize across its businesses.

### ***Risk Appetite***

RBC EG's risk appetite is defined as the amount and nature of the risk that the Company can and is willing to take in implementing its business objectives. ESG-related financial risks are embedded through bi-annual review of both RBC EG client flow and the entity risk taking holdings.

RBC EG has a regulatory scanning process in place for ESG-related financial risk with a standing agenda item for ESG for both its Risk Management Committee and the Management Board.

All risk-bearing activities and exposures are within the scope of the risk appetite approved by RBC EG, the risk limit and the corresponding capital and liquidity requirements.