

Royal Bank of Canada

Climate Report 2023





At RBC, we are working to help accelerate the transition to a greener economy.

The RBC Climate Blueprint sets out our four strategic priorities, as outlined on this page, and articulates the key levers we can use to advance this ambition.

We're proud of the progress we've made to date, but know there is more to be done. We are committed to evolving our approach and providing regular updates on our progress.



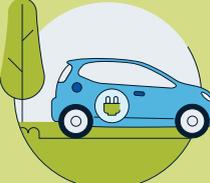
2023 highlights

 **Support clients as they transition to net-zero** by helping them reduce their emissions and scale solutions for a greener economy.¹

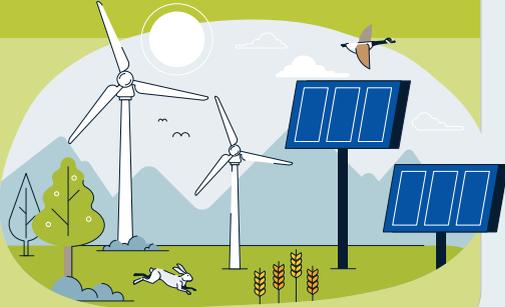
 Facilitated **\$29 billion in green finance**² as part of our \$500 billion sustainable finance commitment³

 Worked to formalize RBC Capital Markets' **approach to engagement with its energy sector clients** on their plans for the energy transition

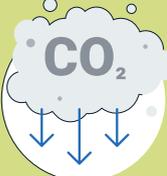
 Piloted a **new tool to help agriculture clients** identify and reduce emissions in their operations

 Launched a free **RBC Electric Car Cost Calculator** for consumers

 **Advance net-zero leadership in our own operations** to continue to reduce the impact of our own operations.

 Sourced **100%** of our total **global electricity** consumption from **renewable sources**⁵

 **Hold ourselves accountable** by reporting on key metrics we use to measure progress.

 Disclosed **absolute financed emissions for the oil & gas sector of 71.4 million tonnes of CO₂e** – this metric will guide our business strategy and the actions we take to bring down emissions over time⁴

Disclosed **progress on our initial 2030 interim emissions reduction targets for lending** in the oil & gas, power generation and automotive sectors.

 **Inform and inspire a sustainable future** by investing resources and capabilities to advance climate solutions and policy.

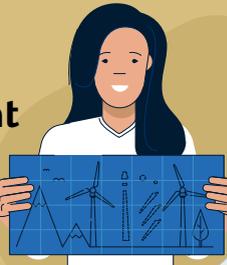
 Supported climate innovation by committing **\$48 million toward venture capital and growth equity funds**

 **Launched the RBC Climate Action Institute** to provide research and advance ideas that contribute to Canada's climate progress

 Supported solutions to environmental challenges by **funding \$21 million in community investments**, including through the RBC Foundation

2024 developments

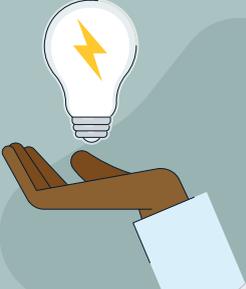
Disclosed initial assessment of RBC Capital Markets' energy sector client transition plans and intend to update on progress annually



Set a goal to triple our lending to renewable energy across RBC Capital Markets and Commercial Banking and to grow overall low-carbon energy lending to \$35 billion by 2030⁶



Set a goal to allocate \$1 billion by 2030 to support the development and scaling of **innovative climate solutions**⁷



To help accelerate capital deployment to emissions reduction efforts we established a decarbonization finance definition for RBC⁸

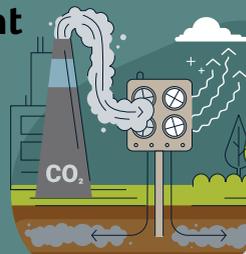




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“ In 2023, we laid the foundation to help our clients make progress on the journey to net-zero at a much quicker pace. One way we did this was by working more actively than ever on the ways we can help our clients in high-emitting areas of the economy—including the oil & gas and power generation sectors—as they continue to take actions to reduce emissions in the future. ”

We're in a decisive decade for the climate transition.

I believe the coming years can see businesses and investors, alongside governments, drive a fundamental reimagining of nearly every sector of the global economy—a climate-smart transformation of how we generate energy, grow food and construct buildings and infrastructure. Yet, rising temperatures serve as a stark reminder that countries, companies and communities need to work closer together and with greater urgency to make the net-zero economy a reality.

At RBC, we recognize the imperative for climate action and embrace our role as a bank that will support our clients and communities to accelerate the transition to a greener economy.

In 2023, we laid the foundation to help our clients make progress on the journey to net-zero at a much quicker pace. One way we did this was by working more actively than ever on the ways we can help our clients in high-emitting areas of the economy—including the oil & gas and power generation sectors—as they continue to take actions to reduce emissions in the future.

I'm proud that we were the first major Canadian bank to disclose a formal approach for engaging with capital markets clients in the energy sector, including a framework that will guide how we assess our clients' transition plans.⁹ This approach will help us deepen the support and advice that we bring to those who are producing the energy our world needs. It will also inform

the decisions we make to step away from clients who don't have credible plans to reduce their emissions.

To date, we're pleased to share that 79 per cent of RBC Capital Markets' lending exposure in the energy sector is to clients who have transition plans. While many of these plans are still in the early stages, we're encouraged by the progress we're seeing as clients move forward on the complex, multi-decade net-zero journey.

Looking to 2024, we're accelerating our strategy to finance the energy sources needed to build a net-zero economy by stepping up our focus on low-carbon energy development. This includes new goals to triple our renewables lending⁶ across RBC Capital Markets and Commercial Banking and to allocate \$1 billion of RBC capital to support the development and scaling of innovative climate solutions,⁷ both by 2030. We also aim to accelerate deployment of capital to emissions reduction efforts in high-emitting, hard-to-abate sectors, guided by our new decarbonization finance definition.

We're matching these actions with an even sharper focus on accountability and transparency—disclosing how we're tracking against our goals, and more clearly and actively outlining the steps we are taking to support our clients. For example, we're now reporting our absolute financed emissions on an authorized basis for the oil & gas sector and will continue to do so every year to show our progress.

As I've spoken about for many years now, our interconnected global economy's journey to net-zero will require unprecedented collaboration across all segments of society.

In Canada—our home market—we're convening decision-makers across industry, government and non-governmental organizations through the RBC Climate Action Institute and helping leaders in the agriculture and building sectors apply climate-smart solutions across the country.

This is happening alongside continual engagement with clients, investors, Indigenous leaders, researchers, students and many others to understand evolving challenges, listen to perspectives and work toward net-zero solutions.

As a pillar of strength in our society and the economies in which we operate, RBC knows that our continued success depends on how effectively we support our clients to thrive and prosper in the new economy of the future.

While we know there is still much work to be done, RBC is up for the challenge and ready to continue helping our clients and communities build a net-zero economy and a more prosperous future.

Dave McKay
President & Chief Executive Officer
Royal Bank of Canada





About this Report

Since 2017, Royal Bank of Canada and its subsidiaries (referred to as RBC, we, us, our or the bank) have issued stand-alone climate disclosures to provide transparency and to report on how RBC is managing climate-related risks and opportunities. The 2023 Climate Report (the Report) provides information on the bank's climate strategy and priorities, the progress made over the past year, and the challenges faced in advancing the bank's climate strategy. Our annual climate disclosure also serves as a high-level overview of the bank's transition plan, which includes our overall approach to the transition to net-zero, and the bank's related targets, actions, progress, and accountability mechanisms. We expect to make further progress in planning for the transition to net-zero, including evolving our transition plan to take into account best practice guidance and emerging requirements.

Scope

This Report includes information about RBC and certain of its subsidiaries, as appropriate and as stated herein. RBC's commitment to achieve net-zero emissions in our lending by 2050 and sustainable finance commitment do not include the activities of and the assets under management or administration by RBC Global Asset Management and RBC Wealth Management as defined in endnote 12. This Report supplements the information on the results of operations and financial condition in our **2023 Annual Report** and our governance and executive compensation information in our **2024 Management Proxy Circular** (available at rbc.com). All references to websites are for your information only. The content of any websites referred to in this Report, including via website link, and any other websites they refer to are not incorporated by reference in, and do not form part of, this Report

Reporting frameworks

This Report is guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)¹⁰ and informed by the Glasgow Financial Alliance for Net Zero (GFANZ)¹¹ guidance titled Financial Institution Net-zero Transition Plans.

Reporting period

The data and examples in this Report reflect activities undertaken during the 2023 fiscal year (November 1, 2022 – October 31, 2023), unless otherwise noted. Updates on the bank's climate-related priorities and commitments made after October 31, 2023, but prior to the publication of this document are clearly identified as such. In many cases, we have included data for fiscal 2023 as well as the two prior years to provide a broader view of trends in our performance over a three-year period.

Currency and measurements

All amounts in this document are in Canadian dollars unless otherwise noted. U.S. dollars and British pounds are converted using the spot exchange rate, as at October 31, 2023 (C\$1.00 = US\$0.721; C\$1.00 = £0.593). Metric measurements are used in this report.

Review and assurance

This report and the information contained within it is unaudited. Certain metrics contained in this Report have been subject to limited assurance procedures performed by PricewaterhouseCoopers LLP (PwC). You can read more about the scope of this work, including the metrics in scope, on pages 135-136 of the **2023 ESG Progress Report**.

Caution statement and important notice

Cautionary statement regarding forward-looking statements and important notice about this report are included on pages 67 and 68.

Endnotes

The endnotes on pages 62 to 66, which are referenced throughout this Report, provide additional information, including definitions, citations, and explanations, deemed necessary, and further define our performance indicators and measurement criteria.

Our annual climate disclosure serves as a high-level overview of the bank's transition plan

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Reporting suite

This Report forms part of our suite of climate-related disclosures, which also includes:



Sustainable Finance Framework



Net-Zero Report



Client Engagement Approach on Climate – Energy Sector





About RBC

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 94,000+ 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 27 other countries.

At RBC, our climate strategy is one way that we bring our Purpose to life.



17+ million
clients



94,000+
employees



29
countries

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Our Purpose

Helping clients thrive and communities prosper

Guided by **our Vision** to be among the world's most trusted and successful financial institutions, and driven by **our Purpose**, we aim to be:



In Canada
the undisputed leader in financial services



In the United States
the preferred partner to corporate, institutional and high net worth clients and their businesses



In select global financial centres
a leading financial services partner valued for our expertise

We are guided by **our Values**.



Client First



Collaboration



Accountability



Diversity & Inclusion



Integrity

For more information on how we are leading with Purpose in creating differentiated value for our clients, communities, employees and shareholders, please visit **RBC Stories**.

Connect with us

facebook.com/rbc

x.com/rbc

linkedin.com/company/rbc

instagram.com/rbc

youtube.com/user/RBC

tiktok.com/@rbc



Our climate strategy

In 2023, RBC introduced its Purpose Framework – *Powering Ideas for People and Planet™* (the Purpose Framework) which aims to create clarity and structure around three societal ambitions where we believe RBC can have a meaningful impact. One of our three ambitions is to accelerate the transition to a greener economy. The [RBC Climate Blueprint](#) sets out our four strategic priorities and articulates the key levers we can use to advance this ambition. This includes a goal to achieve net-zero in our lending by 2050.¹²

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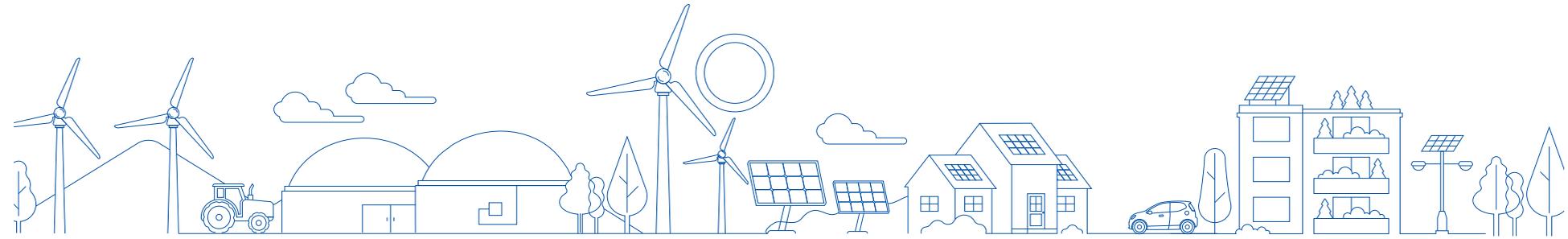
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Our ambition

Accelerate the transition to a greener economy



RBC Climate Blueprint strategic priorities



Helping clients as they transition to net-zero

To help clients succeed in the transition, the bank is supporting clients to reduce emissions while also facilitating capital to scale solutions for a greener economy,¹ with a focus on sectors where we believe we can make an impact.



Informing and inspiring a sustainable future

Progress on the collective journey to net-zero requires the collaboration of many stakeholders and innovative policies, technologies and business models. RBC is supporting the transition to net-zero by investing resources and capabilities to advance climate solutions and policies, including by collaborating with industry and providing research through the RBC Climate Action Institute, and by allocating our own capital to support climate innovation.



Holding ourselves accountable

RBC strives to provide transparent reporting on our climate strategy to our stakeholders. We believe that measuring and disclosing progress against our commitments, goals and targets, and continually improving our disclosures will increase stakeholder confidence in our climate strategy. For details on our performance against key metrics, see the Metrics and targets section.



Advancing net-zero leadership in our own operations

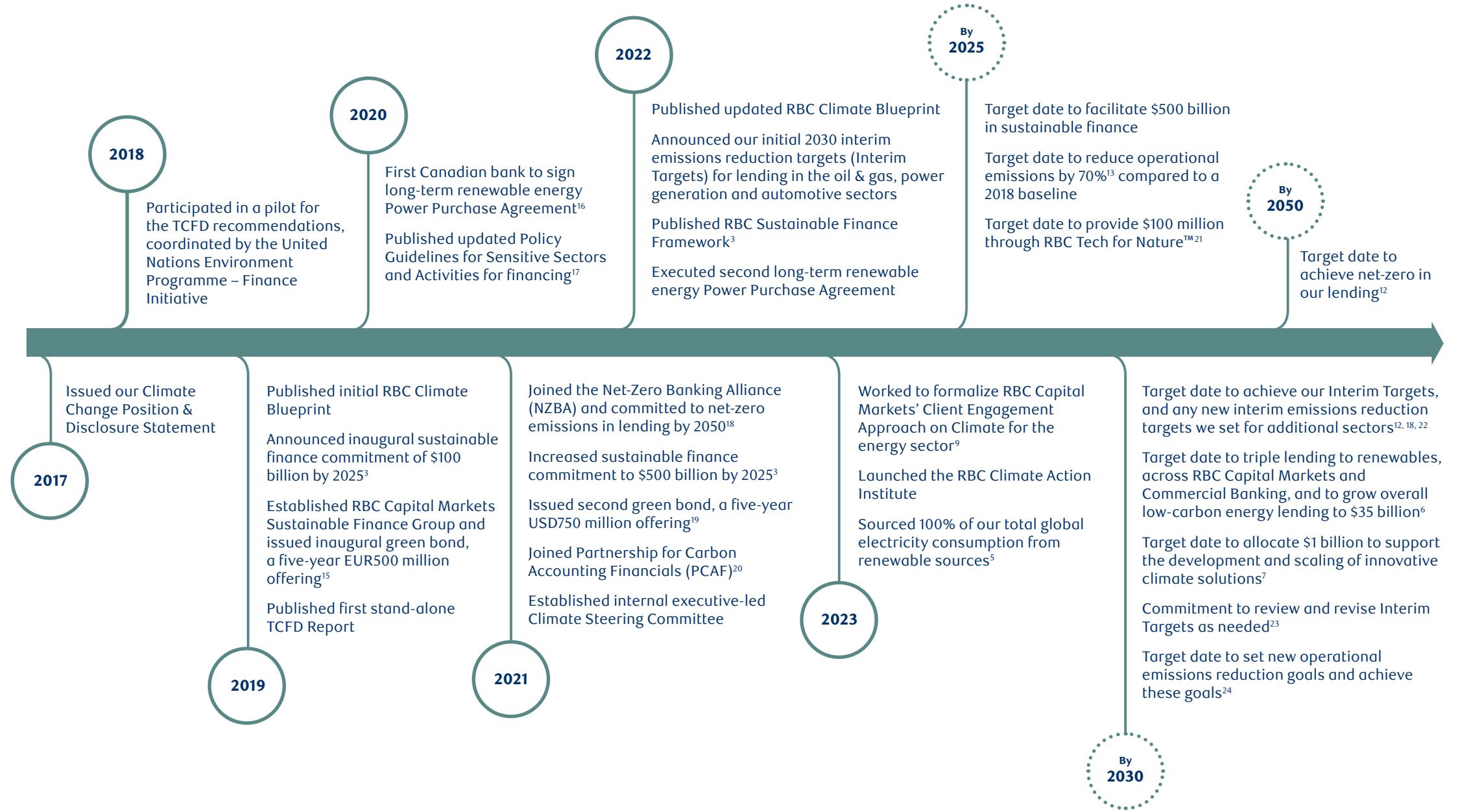
The bank is committed to the goal of achieving net-zero in our operations. To advance towards this ambition, RBC set two goals: to reduce our global emissions from our own operations by 70%¹³ compared to our baseline year of 2018 and to increase our sourcing of electricity from renewable and non-emitting sources to 100%,¹⁴ both by 2025.





Our net-zero roadmap

RBC began to factor environmental considerations into our risk management approach in 1991 and identified climate change as one of our priority environmental issues in the bank's first Environmental Blueprint in 2007. In 2017, momentum began to build, as reflected in our position statement on climate change. In 2019, RBC published our climate strategy in the first RBC Climate Blueprint. Our roadmap reflects the progress we have made in enhancing our strategic approach to climate change, as well as key milestones for the future.



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Our climate strategy aims to accelerate the transition to a greener economy





Strategy overview

We are working across RBC to help accelerate the transition to a greener economy – from helping clients, to collaborating with industry, and reducing emissions from our own operations

RBC’s continued success as a bank depends on our collective economic prosperity and the extent our clients thrive, including through the transition to a net-zero economy. We believe the transition to net-zero will be one of the most significant economic transformations of our time: companies across sectors will see an impact on their business model, growth strategy, and operations. This is why our climate strategy begins with a focus on helping our clients and involves harnessing capabilities from across RBC. We believe our strategy will contribute to accelerating the transition to a greener economy and help position our business for a net-zero future. Our climate strategy is articulated in the RBC Climate Blueprint.

In 2023, we made important progress in implementing our strategy, but recognize that there is more to be done. This section outlines the steps we have taken in 2023 and several of the actions we plan to take in the future.

For more details on the RBC Climate Blueprint strategic priorities:

-  Helping clients as they transition to net-zero (p. 11-19)
-  Holding ourselves accountable (p. 36-46)
-  Informing and inspiring a sustainable future (p. 20-21)
-  Advancing net-zero leadership in our operations (p. 22)

2023 highlights



Worked to formalize **RBC Capital Markets’ approach to engagement with its energy sector clients** on their plans for the energy transition (p. 14)

Piloted **a new tool to help agriculture clients identify and reduce emissions** in their operations (p. 17)



Launched a free **RBC Electric Car Cost Calculator** for consumers (p. 19)



Launched the **RBC Climate Action Institute** to provide research and advance ideas that contribute to Canada’s climate progress (p. 20)



Sourced **100%** of our total **global electricity consumption** from **renewable sources**⁵ (p. 22)

Disclosed **absolute financed emissions for the oil & gas sector** of 71.4 million tonnes of CO₂e– this metric will guide our business strategy and the actions we take to bring down emissions over time⁴ (p. 14, 43)

2024 developments



Set a goal to **triple our lending to renewable energy** from \$5 billion in 2023 to \$15 billion in 2030 across RBC Capital Markets and Commercial Banking, and to grow overall low-carbon energy lending to \$35 billion by 2030⁶ (p. 14)



Set a goal to allocate **\$1 billion by 2030** to support the development and scaling of innovative climate solutions⁷ (p. 21)

To help accelerate capital deployment to emissions reduction efforts, we **established a decarbonization finance definition** for RBC⁸ (p. 13)

Disclosed initial **assessment of RBC Capital Markets’ energy sector client transition plans** and intend to update on progress annually (p. 14-16)

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Helping clients as they transition to net-zero

We are using our capital, insights and expertise to help clients manage the risks and opportunities associated with the transition to a net-zero economy

From engaging with clients on plans for the transition to facilitating capital to support emissions reductions and the adoption and scaling of solutions for a greener economy,¹ we are working with clients on efforts that will help to shift the energy supply mix over time. This includes financing the purchase of electric vehicles and green building construction, to support the necessary shift towards low-carbon energy sources.

In this section, we outline key efforts underway to help clients, including financing solutions for a greener economy, financing the decarbonization of high-emitting, hard-to-abate sectors, and our approach to engaging clients on their transition plans. We also provide details on how we are bringing to life our strategy across sectors of the economy.

Initial sectors in focus

We believe the net-zero transition will be an economy-wide transformation touching nearly every sector. We have initially focused on sectors where we believe we can have the greatest impact in supporting clients to reduce emissions. These sectors are the oil & gas and power generation sectors (referred to collectively as the “energy sector” in this Report), agriculture, real estate, and automotive. This is based on where we have the highest relative financed emissions,²⁵ the size of our client portfolio, and the relative emissions of these sectors in the markets in which we operate.

See the following sections for more details:

- ➔ Supporting clients in sectors – p. 14-19
- ➔ Performance on metrics to measure progress in Metrics and targets – p. 36-46

Actions we are taking by business



Personal Banking
Individual clients

Lending products, advice and tools to help clients take action to reduce emissions – with a focus on homes and cars.



Commercial Banking
Small to mid-sized businesses

Engage clients to understand their plans for the transition, provide advice and facilitate capital to reduce emissions, including encouraging the adoption of solutions for a greener economy.¹



RBC Capital Markets
Large corporations and institutional investors



Wealth Management¹
Individual clients and institutional investors

Responsible investment²⁶ solutions, including those that meet clients’ climate-related objectives, as well as climate reporting on applicable portfolios. See pages 81-84 of the [2023 ESG Progress Report](#).

¹ Includes RBC Global Asset Management. Wealth Management does not set climate-related targets, unless requested by clients as a requirement of their investment strategy or it is stated in the investment objective of the fund offered to a client.





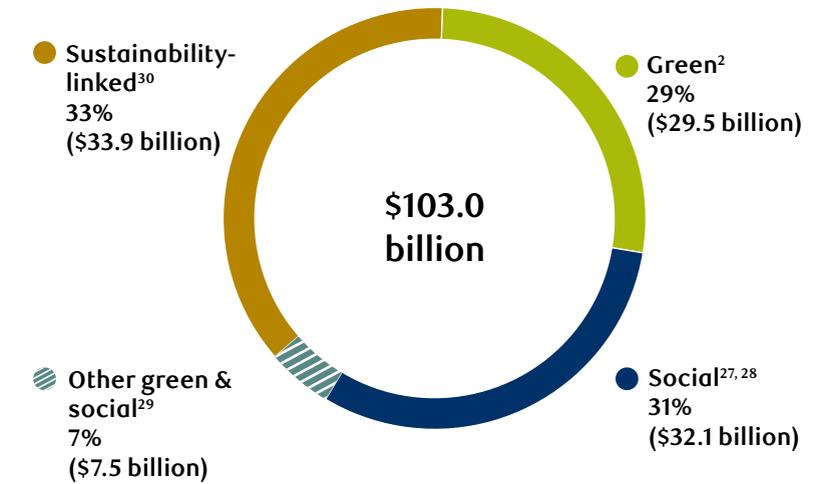
Helping clients as they transition to net-zero

Financing solutions for a greener economy

Green finance² is an opportunity for our business. Personal Banking, Commercial Banking and RBC Capital Markets are helping our clients to adopt and scale solutions for a greener economy by facilitating capital. These solutions are defined as eligible green activities under our **Sustainable Finance Framework** and this financing contributes to our commitment to facilitate \$500 billion in sustainable finance³ (Sustainable Finance Commitment). In the future, our new goal to triple renewable energy lending and grow low-carbon energy lending⁶ will contribute to the growth of green finance.

Green financing facilitated by RBC totaled \$29.5 billion in 2023. Figure 1 provides additional detail on the value of the most significant eligible green activities (green activities) and financing instruments. Financing related to other green activities, such as circular economy, energy efficiency and pollution prevention, is reported under other green activities. The tracking of these green activities under the Sustainable Finance Framework helps the bank to encourage such activities across key business segments and better understand whether there are challenges in financing them.

Figure 1: Sustainable finance by category, for the year ended October 31, 2023



Spotlight

Our Sustainable Finance Framework

Sustainable finance refers to financial activities that take into account environmental, social and governance factors. Our Sustainable Finance Framework provides an overview of the approach and methodology we use to classify, track and disclose our progress toward our Sustainable Finance Commitment and serves as a tool to identify opportunities for RBC to advance sustainable finance. To better reflect our evolving business opportunities and market practice, RBC updated its **Sustainable Finance Framework**, published alongside the 2023 Climate Report, in March 2024. We expanded the framework to include, among other things, eligible green activities that were not previously covered, including additional low-carbon energy sources (such as nuclear energy). We have also included criteria for a decarbonization finance⁸ definition to help accelerate the deployment of capital for emissions reduction efforts in high-emitting, hard-to-abate sectors (see page 13 for more details). The updated Sustainable Finance Framework will apply from our 2024 fiscal year onwards.

Spotlight on green financing	\$ billions	%
Eligible green activitiesⁱ		
Renewable energy	\$8.2	28%
Clean transportation	\$2.9	10%
Environmentally sustainable management of living natural resources and land use	\$2.2	7%
Green buildings	\$1.4	5%
Environmentally sustainable water and wastewater management	\$0.6	2%
Other eligible green activities ⁱⁱ	\$0.6	2%
Multiple criteria ⁱⁱⁱ	\$0.2	1%
Eligible green financing instruments		
Green bonds underwritten ^{iv}	\$11.7	40%
Designated green bond holdings	\$1.0	3%
Designated green loans	\$0.7	2%
Total green finance facilitated	\$29.5	100%

ⁱ Includes financing where the proceeds are exclusively directed to eligible green activities and financing to entities that derive 90% or more of their revenues from eligible green activities.
ⁱⁱ Other eligible green activities includes activities that account for less than 1% of RBC's total green financing in 2023 (such as circular economy, energy efficiency, and pollution prevention).
ⁱⁱⁱ Multiple criteria includes transactions that fall under more than one eligible green activity under our Sustainable Finance Framework.
^{iv} Green bonds underwritten includes designated green bonds underwritten and non-designated US municipal bonds where the use of proceeds are intended primarily for the public provision of environmental services.

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Financing the decarbonization of high-emitting, hard-to-abate sectors

High-emitting, hard-to-abate sectors provide products that support our quality of life and standards of living today. We will continue to rely on these products for the foreseeable future as society works to scale-up low-carbon alternatives. The path to achieving net-zero by 2050 requires action today to help decarbonize these sectors. A lack of standard definitions and taxonomies has been a barrier to deploying capital for decarbonization to these sectors at the scale and pace required. Rapidly advancing this work could help unlock capital to support emissions reduction efforts this decade.

In 2024, we expanded our Sustainable Finance Framework to include a decarbonization finance⁸ definition to specify the criteria we will use to classify transactions as eligible towards our Sustainable Finance Commitment. This provides guidance to clients, business teams and stakeholders on eligible activities that the bank wishes to support. In addition to considering whether the decarbonization activity is eligible, we will only measure financing to clients with plans that meet certain criteria. See Figure 2 for a high-level summary of our approach to decarbonization finance.

In developing this definition, we considered emerging industry guidance and market practices. We also adapted and tailored the definition to reflect the markets in which we operate, our clients' realities, and the practicality of implementation. For example, many

of our clients in high-emitting, hard-to-abate sectors, do not have 1.5°C aligned emissions reduction targets. This challenge is particularly significant for the oil & gas sector where clients do not typically have a clear path to achieving the magnitude and speed of reductions implied by such targets. At the same time, we believe there is a need to help our clients to decarbonize their production today and explore new growth opportunities in low-carbon energy. Therefore, our eligibility criteria for decarbonization activities can be based on an assessment of the client's transition plan, and can still be considered eligible without 1.5°C aligned emission reduction targets. Refer to Engaging clients on their transition readiness below for more information on the assessment of client transition plans.

This is the first iteration of our decarbonization finance definition and we expect it to evolve over time. We plan to review the definition at minimum every two years and contribute to helping shape market practice and guidance through the platforms available to us, both nationally and internationally.

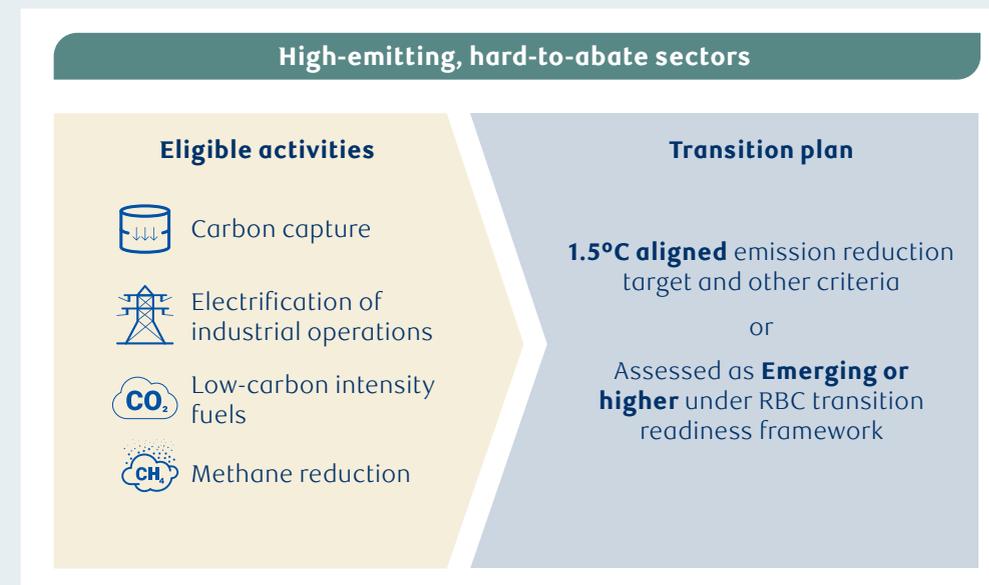
Engaging clients on their transition readiness

In 2023, we worked to formalize RBC Capital Markets' approach to engagement with its energy sector clients on their plans for the energy transition. The [Client Engagement Approach on Climate – Energy Sector](#) (Client Engagement Approach on Climate) released in November 2023 formalizes the approach and sets out a transition readiness framework with criteria to assess clients' transition plans. The criteria cover what we believe to be the most salient components of a robust transition plan.

Importantly, RBC recognizes that developing and implementing a robust transition plan is a journey. A maturity scale locates clients on this journey, based on the extent to which a client's plan meets the assessment criteria, from Non-Committed (no commitments have been communicated) to Advanced (what could be needed for a 1.5°C aligned transition and some of the highest standards for transition plans in the sector).

Insights from the assessment of the transition plans of RBC Capital Markets' energy sector client are on pages 14-16. This assessment and resulting engagement priorities go beyond our previous goals related to client emissions reporting and emissions reduction plans, which were achieved in 2023.³¹

Figure 2: RBC's approach to decarbonization finance



See our Sustainable Finance Framework for a detailed description of our criteria.

In 2024, RBC Capital Markets assessed the transition plans of its energy sector clients using its new Client Engagement Approach on Climate





Helping clients as they transition to net-zero

Sector spotlight: Energy

RBC has a proud history of financing the energy needed for economic growth. As we position our business for the future, we know that more needs to be done to reduce emissions faster and at scale. That is why we are addressing both the growth of low-carbon energy sources and the decarbonization of conventional energy

The world needs increasing amounts of energy to support shared prosperity as populations and economies grow. Economies will need to increase energy supply in the least carbon-intensive way possible to support the transition to net-zero. This requires two simultaneous actions: the rapid scale-up of low-carbon energy and, in parallel, a reduction of emissions from conventional energy sources.

In 2024, we set a new goal to triple our lending to renewable energy from \$5 billion in 2023 to \$15 billion in 2030 across RBC Capital Markets and Commercial Banking and to grow overall low-carbon energy lending to \$35 billion by 2030.⁶ To achieve our goal, we plan to work with existing clients and new clients that can help meet growing energy demand.

In parallel, we intend to work with clients to accelerate the deployment of capital towards decarbonization initiatives,

guided by our new decarbonization finance definition⁸ and RBC Capital Markets' formalized approach to engaging with clients in the energy sector.⁹

New climate solutions, including emerging clean technologies, can help to accelerate decarbonization efforts. In 2024, RBC set a new goal to allocate \$1 billion by 2030 to support the development and scaling of innovative climate solutions, by investing in growth equity and venture capital funds, as well as directly in companies.⁷ This new goal is in addition to the continued philanthropic funding provided by RBC and the RBC Foundation through RBC Tech for Nature[™] and our support through RBC's national cleantech practice within RBCx[™].

Measuring progress

We are optimistic that these goals and actions will help us accelerate the low-carbon energy system of the future. But we expect our progress to net-zero will not be linear. We are committed to transparency with our stakeholders and have included additional disclosure of our absolute financed emissions for the oil & gas sector on an authorized basis. Absolute emissions from the oil & gas sector must decline over time as part of the transition to a net-zero economy. RBC is committed to taking action to bring down our absolute financed emissions for this sector over time.⁴ This will include the strategic allocation of capital and the acceleration of our strategy to prioritize working with clients who are proactively taking steps to decarbonize. For more details on the metrics we use to measure and report our performance, please refer to the Metrics & targets section on page 36.

Figure 3: Insights from our initial assessment of RBC Capital Markets' energy sector clients' transition plans, as at October 31, 2023

The results³² of the initial assessment reflect a strong basis from which to deliver on RBC Capital Markets' approach of prioritizing the allocation of capital to clients who are executing on or working towards robust transition plans and helps to identify opportunities to lean-in and support.

79%

79% of exposure³³ is to clients that have established transition plans i.e., assessed as Early or higher.³⁴

48%

Nearly 48% of exposure is to clients with plans beyond the minimum criteria i.e., assessed as Emerging or higher



Clients who have not yet established transition plans are generally smaller, private clients to whom exposure tends to be lower.

Establishing plans that are 1.5°C aligned is a key challenge.

2%

34%

Only 2%³⁵ of oil & gas sector exposure and 34% of power generation sector exposure is to clients with 1.5°C aligned transition plans.

RBC Capital Markets' objective is to help clients accelerate their transition plans and progress their standing within the transition readiness framework. We plan to report portfolio-level progress using the maturity bands of the transition readiness framework on an annual basis and share key learnings from our client engagement. See additional details on the assessment methodology in the Appendix on page 50.

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Oil & gas

A third of RBC Capital Markets' exposure³³ in the oil & gas sector is to clients with transition plans that are assessed as Intermediate. These clients have, for example, a commitment to achieve net zero by 2050, specific targets for methane emissions reduction, disclosed they will allocate capital towards emissions reduction actions, and started reporting their Scope 3 emissions.

We are particularly encouraged that many clients have established oversight and accountability mechanisms for these transition plans, as this is an important means of supporting effective implementation. 76% of exposure is to clients who have established board oversight of their transition plans and 60% of exposure is to clients who have linked executive compensation to their emissions reduction targets.

However, progressing to the Advanced band will be challenging for most clients, as the criteria for this band for the oil & gas sector includes having 1.5°C aligned targets. Clients do not typically have a clear path to achieving the magnitude and speed of reductions implied by this criteria. Currently, only 2% of exposure is to clients with 1.5°C aligned transition plans.

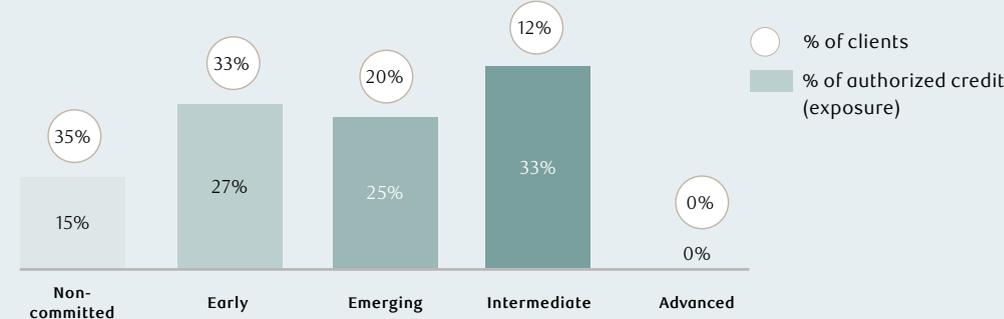
Engagement priorities for supporting clients' transition journeys

- ✓ Non-committed: Establish transition plans.
- ✓ Early: Increase robustness of transition plans, including by setting emissions reduction targets, providing timelines for emissions reduction actions, and establishing a target for methane emissions reductions.
- ✓ Emerging and higher: Report Scope 3 emissions. This is important to enable clients and the bank to track total emissions and work towards climate commitments, rather than relying on industry-level estimates. 65% of exposure in the Emerging category is to clients that do not report Scope 3 emissions, which is one of the requirements to move into the Intermediate category.

76% of exposure is to clients who have established board oversight of their transition plans



Figure 4: Initial results for oil & gas sector clients assessed using the transition readiness framework,³⁶ as at October 31, 2023





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Power generation

Almost a third of RBC Capital Markets' exposure³³ in the power generation sector is to clients with transition plans that are assessed as Intermediate. These clients have, for example, committed to achieve net zero by 2050, 1.5°C aligned emissions reduction targets, committed to phase out unabated coal by 2035, and disclosed they will allocate capital towards emissions reduction actions.

Exposure equivalent to 20% of the total power generation portfolio is to clients that are pure play³⁷ renewable or nuclear power generation clients. While these clients are out of scope³⁸ for this assessment, they are an important element of RBC's strategy to continue to increase lending to renewable energy and other low-carbon energy sources.⁶

A key challenge for clients is to set targets that are 1.5°C aligned – only 34% of exposure is to clients who have 1.5°C aligned transition plans. Many of these clients face regulatory, reliability and affordability considerations that limit their

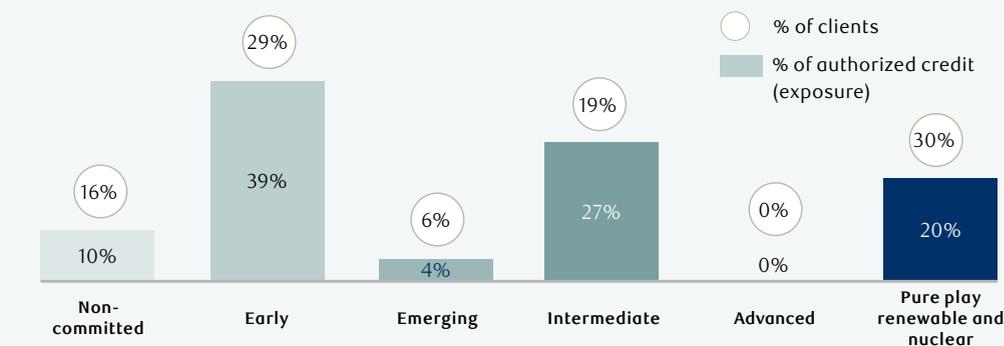
ability to shift their power generation mix toward renewables and other low-carbon energy sources at a pace required for 1.5°C alignment.

Engagement priorities for supporting clients' transition journeys

- ✓ Non-committed: Establish transition plans.
- ✓ Early: Setting 1.5°C aligned emissions reduction targets. We intend to work with our clients to understand the challenges to meeting this criterion and how RBC might be able to provide support.
- ✓ Intermediate: Accelerating the timeline for achieving net-zero by 2035 and unabated coal phase-out to 2030. We intend to work with our clients to understand and support where there are opportunities to make progress on these key aspects.



Figure 5: Initial results for power generation sector clients assessed using the transition readiness framework,³⁶ as at October 31, 2023



20% of the portfolio exposure is to clients who are pure play³⁷ renewable or nuclear power generation

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Sector spotlight: Agriculture

As a long-standing partner to Canadian farmers, producers, and ranchers, providing specialized financial services to help them operate their businesses, we are helping our clients overcome the barriers to adopting more sustainable agriculture practices³⁹

RBC recognizes that its agriculture clients are advancing environmental management practices focused on soil health, water quality and biodiversity. Reducing emissions while increasing food production is a challenge that we know farmers are trying to solve. Incentives for those in the agriculture sector that deliver environmental benefits is also an opportunity to advance environmental goals. This can include efforts to preserve biodiversity and sequester carbon while producing food for consumption and export.

According to a survey completed by clients, the top barriers to adopting sustainable agriculture practices³⁹ include a lack of knowledge, unclear return on investment and challenges with measuring their emissions. We are helping our clients overcome these barriers and adopt more sustainable agriculture practices.

In 2023, RBC's Commercial Banking team developed and piloted a digitally-enabled tool that helps clients estimate their emissions, identify actions that can be taken

to reduce them, and provides information to help them understand the costs and benefits of such actions.

The Commercial Banking team also launched a lending product for select on-farm equipment used for sustainable agriculture practices – this product offers flexible terms matching the loan repayment to the farm's operating cash flow while the client waits for a return-on-investment. In addition, the team is connecting producers with information about government grants and programs that can help reduce their financial risk.

Measuring progress

RBC is reviewing approaches to measure emissions from our lending in the agriculture sector. As a first step, we are addressing challenges with measuring financed emissions in this sector, including a lack of reliable climate data, unclear transition pathways, and the diversity of activities and commodities to cover across our portfolio. Since our **2021 Climate Report** (formerly called the TCFD Report), we have been working on an enhanced methodology that enables RBC to estimate client-specific emissions. The enhanced financed emissions measurements for dairy and grain & oilseed crops are disclosed in the Appendix on page 48.

We are also exploring methodologies and data sources in collaboration with organizations such as RMI's Center for Climate-Aligned Finance. We intend to continue to work with industry peers and standard setting bodies to advance methodologies, best practices and improve the measurement of emissions from our lending in this sector.

2023 highlights



Piloted a **new tool to help agriculture clients identify and reduce emissions** in their operations



Initiated work with RMI's Center for Climate-Aligned Finance on agriculture financed emissions



Advanced Canadian Alliance for Net-Zero Agrifood
See page 20 for details



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Sector spotlight: Real estate

Real estate, which includes residential mortgages and commercial real estate, is the largest sector by credit exposure for the bank. RBC's goal is to better understand the needs of our clients as part of their journey and how we can be their finance partner in the transition

RBC finances commercial real estate with a wide range of needs and degrees of readiness with respect to plans for the transition to net-zero. While retrofits and new building designs that reduce energy consumption can save operating costs, the upfront costs of investing in these efficiencies are often a barrier. RBC works with clients and industry organizations to explore potential options to support low-carbon energy solutions in new-builds and retrofits.

In addition, many homeowners face barriers to implementing energy efficiency solutions in their homes. These can include the upfront costs of the investment, access to capital and a lack of knowledge about the programs and incentives that they

may be eligible for. Access to tradespeople with the skills and expertise to make the upgrades is also a barrier. To help address these challenges, in 2023, RBC expanded the availability of accessible information about home retrofits and grant programs for homeowners. We also provided information to advisors to be better informed on existing financing solutions. In addition, RBC worked with builder clients to help make homeowners aware of the energy efficiency benefits of new homes that meet certain certification requirements.

Measuring progress

RBC is reviewing approaches to measure emissions from our lending in the real estate sector. Similar to other sectors, we continue to experience challenges with data availability and data quality when measuring our financed emissions, which impacts our ability to assess progress in reducing emissions from lending to this sector.

To help address these industry wide challenges, RBC participated in a NZBA working group to develop [a whitepaper on real estate target setting for banks](#), which was published in December 2023. We intend to continue to work with industry peers and standard-setting bodies to advance methodologies, best practices and improve the measurement of emissions from our lending in this sector.

Case Study



Advancing net-zero in our own operations supports real estate client climate goals

In many premises leased by RBC, landlords are in control over the operational assets that generate emissions. In line with our strategy to reduce emissions from our operations, to address this source of emissions RBC is working with landlords to collaboratively reduce the operational emissions associated with RBC's global real estate portfolio. By working with landlords on their own climate journeys, RBC is able to identify opportunities to reduce emissions in our own portfolio, while demonstrating the effectiveness of tenant-led action to the broader real estate sector. See page 22 for more details on our work to reduce emissions from our global operations.



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Sector spotlight: Automotive

RBC is identifying opportunities to support both consumer demand and supply of electric vehicles and other clean transportation⁴⁰ solutions

Supporting consumer demand for electric vehicles (EVs) is an important way in which RBC Personal Banking can contribute to the transition to net-zero in the automotive sector. As the Spotlight below highlights, we are playing a role in Canada in helping prospective buyers understand the value proposition of EVs and supporting consumers with solutions throughout the purchase journey.

In addition, RBC Capital Markets serves large automotive manufacturing clients. Many of these clients have made commitments to reduce their overall GHG emissions and have set targets to increase sales of EVs in the future, and we intend to support them as they work towards meeting these commitments.

Measuring progress

To monitor our financing of EV purchases through Personal Banking, we measure the growth in EVs financed by RBC. We have done this since the launch of the RBC Clean Energy Vehicle Program in 2019. In 2023, RBC financed 3.5 times more EVs than in 2019,⁴¹ demonstrating that our continued focus on EVs is tracking at pace with the growth of this market in Canada, which has also more than tripled over the same period.⁴²

For our lending to the automotive manufacturing sector, RBC set an Interim Target in October 2022. The target is set on a physical emissions intensity basis reflecting the need to significantly and rapidly increase the production of low-emissions vehicles to replace internal combustion engine vehicles. A physical emissions intensity metric encourages RBC to prioritize capital towards clients that are shifting their production mix to electric and other low-emissions vehicles. See the Metrics & targets section on page 41 for details on our 2023 performance.

Spotlight

Supporting Canadians to buy Electric Vehicles



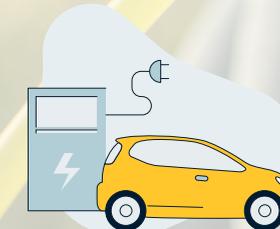
Choosing the car

RBC Electric Car Cost Calculator provides a personalized estimate on how much gas and emissions an EV can save compared to an internal combustion engine vehicle.



Buying the car

Financing under the RBC Clean Energy Vehicle Program – through EV manufacturers – plus exclusive financing for Lucid Motors and VinFast



Charging your car

\$100 free charging at Petro-Canada EV locations for eligible linked RBC debit or credit cards⁴³ and extra points for public charging with RBC® ION™ Visa[‡]. Payplan by RBC financing for home chargers.





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RBC is supporting the transition to net-zero by investing resources and capabilities to advance climate solutions and policy

Working with industry to champion climate solutions and policy

Launched in 2023, the **RBC Climate Action Institute** brings together economists, policy analysts and business strategists to research and advance ideas that can contribute to Canada’s climate progress. Initially focused on buildings and real estate, agriculture and energy systems, the RBC Climate Action Institute has a three-part mandate:

- leverage thought leadership capabilities to inform policy and inspire action;
- help convene key stakeholders to discuss ideas and develop pragmatic climate solutions; and
- work with industry participants to help clients and communities to implement climate solutions.

In 2023, the Climate Smart Buildings Alliance, our collaboration with Mattamy Homes Ltd and EllisDon Construction Ltd, was established to help reduce emissions in Canada’s buildings sector. Canada needs to accelerate the critical enablers such as

building codes, regulations, labour, data and technology. Key areas of focus for the Climate Smart Buildings Alliance are: increasing the use of low and zero carbon building materials; reducing combustion in buildings and supporting a clean grid; and accelerating green retrofits and net-zero new builds. The focus was informed by **High Rise, Low Carbon: Canada’s \$40 billion Net-Zero building challenge**, a collaboration with the Brookfield Sustainability Institute.

RBC also joined forces with Loblaw, Maple Leaf Foods, McCain Foods, Nutrien and BCG to launch the Canadian Alliance for Net-Zero Agrifood. Its aim is to advance high impact initiatives to help Canada reach its goal of cutting emissions in the agriculture sector by 150 million tonnes of CO₂e by 2050. The Canadian Alliance for Net-Zero Agrifood came together following RBC’s research on the sector through **The Next Green Revolution**. In 2023, the Canadian Alliance for Net-Zero Agrifood launched two key workstreams: the Climate-Smart Farming Initiative and the National Biodigester Network.

The RBC Climate Action Institute aims to mobilize policy and action through thought leadership and economic analysis. In its inaugural year, the RBC Climate Action Institute provided information to national, provincial government and industry through the publication of 16 research papers to inform policy and decarbonization strategies.



Climate Action 2024, published in February 2024, is an inaugural research report on the state of progress of Canada’s transition to net-zero. The research team at the RBC Climate Action Institute leveraged databases on key sectors, conducted surveys of Canadians, business leaders and farmers, analyzed consumer behaviour and interviewed hundreds of individuals across economic sectors that contribute to climate action. The resulting report is anchored by six sectoral report cards, and a list of ideas to create a springboard for more progress in the year ahead.





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In 2024, RBC set a new goal to allocate \$1 billion by 2030 to support the development and scaling of innovative climate solutions⁷

Supporting climate innovation

RBC supports the climate innovation ecosystem through philanthropy to community organizations developing climate solutions, and by investing in climate funds that support early-stage technology. This allows us to support high-potential solutions at an earlier stage than through traditional lending alone.

Community investments

In 2022, RBC made a commitment to provide \$100 million by 2025 to support community organizations developing cleantech, agriculture, energy, and nature-based climate solutions. This program is called RBC Tech for Nature™.²¹ In 2023, the program has supported 150 organizations through \$21+ million in community investments, an increase of 72% since 2022. Since 2019, RBC has provided \$60+ million to support organizations that advance innovative climate solutions and initiatives that build resilience through nature. The capital provided is through donations provided by RBC and through RBC Foundation.

Climate investments

Through our investments platform with RBC's Venture Capital & Private Equity team and together with select fund investors, we seek to support entrepreneurial companies to develop and scale solutions and technologies that have the potential to accelerate the net-zero transition and reduce global emissions. In 2023, RBC committed \$48 million to venture capital and growth equity funds, totaling \$140+ million since 2022. In 2024, RBC set a new goal to allocate \$1 billion by 2030 to support the development and scaling of innovative climate solutions, by investing in venture capital and growth equity funds, as well as directly in companies.⁷

See [RBC Tech for Nature](#) and [RBC Climate Investments](#) for more information about key donations, collaborations and investments.

Spotlight



Supporting the Canadian Technology Ecosystem through MaRS Discovery District

Working with community organizations such as MaRS, RBC is supporting the development of technology and innovation capabilities to solve important climate challenges. Through the [RBC Women in Cleantech Accelerator](#), delivered by MaRS, we are supporting a cohort of 10 women-led companies at their early stage of development, equipping them to become clean technology solutions with potential for global impact. This builds on MaRS' broader support for startups across climate, health and the economy.





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RBC is committed to achieving net-zero in our operations²⁴

To advance this ambition we have set two goals: to reduce our own global GHG emissions by 70%¹³ with a baseline year of 2018, and to increase sourcing of electricity from renewable and non-emitting sources to 100%,¹⁴ both by 2025.

Procuring renewable electricity
RBC procures renewable electricity through long-term power purchase agreements

(PPAs)¹⁶ and other sources of renewable energy certificates (RECs).⁴⁴ We believe this approach will help accelerate the decarbonization of electricity grids in select areas where we operate and stimulate the market for renewable energy by providing a financial incentive through RECs.

Increasing electrification and energy efficiency

RBC has emissions reduction plans for both leased and owned buildings in our property portfolio. RBC makes investments in smart building technologies and other energy efficiency measures annually, and we aim to upgrade our heating, ventilation and air conditioning equipment with systems that rely on electricity as these systems need to be replaced and where we have the opportunity to select this equipment. In addition to investments in the real estate the bank owns, RBC has set specifications for the properties where it leases space, such as green building certification schemes programs and energy performance reporting. These measures

are intended to help reduce emissions from its energy consumption.

We continue to pursue initiatives to unlock emissions reductions on our long-term path to net-zero operations, for example, investments in select onsite solar projects where viable. We are also actively pursuing collaboration with the owners of the buildings we lease to reduce our emissions. The electrification and energy efficiency plans are an integral part of this initiative.

Finally, we purchase and retire carbon credits⁴⁵ annually to compensate for the operational emissions reported for that year. We believe that the annual purchase of carbon credits provides valuable support for decarbonization technologies and projects.

See additional details on our operational emissions performance and carbon credits on pages 44-46 in the Metrics & targets section.

Spotlight

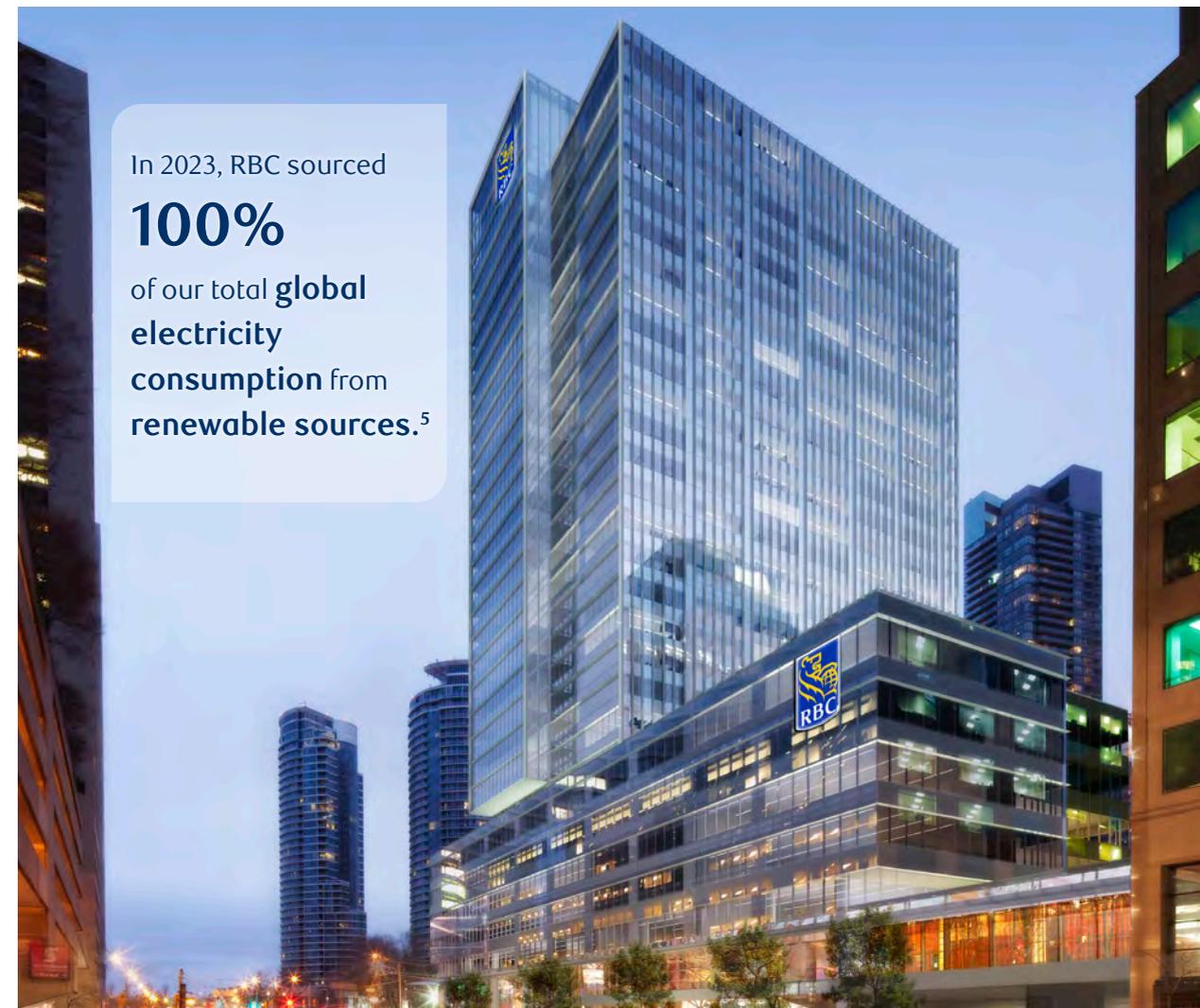
At RBC Brewin Dolphin, where we work says a lot about who we are

In 2023, RBC Brewin Dolphin moved its offices to the Cadworks building in the financial district of Glasgow, Scotland. This building achieved Excellent standard and an energy performance certificate rating of A by Building Research Establishment Environmental Assessment Methodology (BREEAM), a methodology for certifying the environmental performance of buildings. Beyond features that include high efficiency air source heat pumps and LED lighting systems, the building also supports a greener lifestyle for employees through bicycle and electric car charging stations. Other features that support indoor air and water quality, along with natural light and thermal and acoustic controls, are designed to help promote employee well-being.

In 2023, RBC sourced

100%

of our total **global electricity consumption** from **renewable sources.**⁵





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We are committed
to high standards of
governance





Governance overview

We are committed to high standards of governance that are consistent with regulatory expectations and evolving best practices that are aligned with our strategy and risk appetite

In this section, we provide a summary of our governance structure and roles and responsibilities to oversee and manage climate-related risks and opportunities. We also outline actions we are taking to integrate climate into our business decision-making capabilities and practices. Figure 6 on page 26 summarizes the organizational structure as it relates to climate-related responsibilities.

Board oversight

The Board of Directors of Royal Bank of Canada (the Board) oversees the bank’s strategic direction, plans and priorities and ensures they align with the bank’s risk appetite. It discusses and challenges management in setting enterprise strategy and monitors its implementation and effectiveness. It annually approves the strategic plan, taking into account the opportunities and risks of the bank’s business. The Board oversees RBC’s strategic approach to climate change, including how the bank manages climate-related risks and opportunities. In 2023, the Board engaged regularly with management on the evolving climate change landscape and trends, and received updates on the bank’s climate strategy and actions in response.

Board committee oversight and climate-related agenda items

The Board and its four committees provide oversight of the Bank’s strategic approach to ESG, including climate change, and engage with management on climate-related topics throughout the year. Key climate-related topics discussed by the Board and Board committees in 2023 are outlined on page 35 of the [2024 Management Proxy Circular \(2024 Proxy Circular\)](#).

Directors’ expertise in ESG and climate education

To help support RBC in achieving its Purpose to help clients thrive and communities prosper, all directors are required to have experience in environmental, social and governance matters, which they have acquired in a variety of ways, including through their professional experience or their educational background. More specifically, experience in environmental matters is derived from positions as senior executives, directors or advisors of large utility, energy or natural resources companies, or at organizations focused on climate- or sustainability-related matters. For more information, see Skills and competencies on page 20 of the [2024 Proxy Circular](#).

Effective climate oversight and board engagement require directors to keep pace with the rapidly evolving and complex climate change landscape. For more information see Skills and competencies on page 20, and Environmental, social and governance matters on page 31, and Focus on continuous education on page 44 of the [2024 Proxy Circular](#).

Table 1: Board oversight responsibilities

		Oversight responsibilities related to climate
	Board	<ul style="list-style-type: none"> Oversees the bank’s strategic approach to climate change, which includes how we manage climate-related risks and opportunities
Committees	Governance	<ul style="list-style-type: none"> Advises the Board on ESG matters, including climate change, and provides oversight and coordination over ESG for the Board and its committees Advises on the status and adequacy of the bank’s efforts to meet high standards of conduct and environmental and social (E&S) responsibility Oversees key ESG disclosures for the Board Oversees the bank’s corporate citizenship strategy
	Risk	<ul style="list-style-type: none"> Oversees significant and emerging risks to the bank, including E&S risks Each year, recommends for Board approval, the Enterprise Risk Appetite Framework, which incorporates consideration of E&S risks when making risk management decisions
	Audit	<ul style="list-style-type: none"> Oversees the bank’s financial reporting, internal controls over financial reporting and disclosure controls and procedures, including the E&S risk-related disclosures (including climate change) in the bank’s annual report
	Human Resources	<ul style="list-style-type: none"> Oversees the bank’s compensation principles, policies and programs Recommends for Board approval Chief Executive Officer and Group Executive (GE) compensation, including short-term incentives, which consider environmental sustainability, and social and governance practices and, mid- and long-term incentives, which, beginning in fiscal 2023, include a medium-term climate modifier based on progress against the strategic priorities of the RBC Climate Blueprint



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Executive management

The Group Executive (GE) is responsible for implementing our enterprise climate strategy, the RBC Climate Blueprint

The GE comprises the President and CEO, and the Chief Officers and Group Heads, who report directly to the CEO. The GE continues to integrate climate-related responsibilities into our management structure and business models throughout the enterprise. Each key business has an executive who is responsible for climate-related matters and is structured to address client needs associated with the net-zero transition as it applies to their business. The GE meets regularly to discuss business strategy, financial planning, risk management, operations and performance. These discussions also include climate-related matters, when applicable.

Executive compensation

The design of our CEO and Group Executive compensation incorporates ESG considerations in the short-, medium- and long-term programs to incentivize our business leaders in advancing positive change, progress towards our objectives, and create long-term sustainable value for our shareholders.

RBC's short-term incentive (STI) program for the CEO and GE⁴⁶ includes individual performance objectives tied to RBC's financial performance, client outcomes and contribution to our risk and strategic objectives, including environmental sustainability, and social and governance practices. The STI program for the CEO and GE includes a 30% weighting for risk and strategic objectives, which includes performance objectives related to environmental sustainability, and social and governance practices. This is highlighted on pages 70 and 72 in our [2024 Proxy Circular](#). Objectives and results related to environmental sustainability, and social and governance practices are discussed on pages 77 to 78 in our [2024 Proxy Circular](#).

Recognizing that climate change is an increasingly important consideration for our shareholders and other stakeholders, new for 2023, the CEO and GE⁴⁶ mid-term incentive (MTI) and long-term incentive (LTI) programs include a medium-term climate-based objective related to progress made towards the strategic priorities of the RBC Climate Blueprint.

This climate-focused assessment provides an additional incentive for the CEO and GE⁴⁶ to accelerate RBC's progress towards these priorities, and enables the Board to recognize their efforts by applying a modifier to MTI and LTI awards, taking into consideration their actions supporting our climate strategy.

The Board recognizes that managing climate risks and opportunities is multi-faceted, and that RBC has taken measures to continue momentum on its climate journey. After reflecting



Mid-term and long-term compensation for the CEO and GE⁴⁶ included a medium-term climate-based objective related to progress towards the strategic priorities of the RBC Climate Blueprint

on RBC's commitments, actions taken to date, and relative performance compared to peers, the Board has assessed RBC's in-year progress against medium-term climate commitments to be on track, and no further modifier was applied to the 2023 MTI and LTI awards granted.

Further details on ESG factors in our approach to executive compensation can be found on page 72 in our [2024 Proxy Circular](#).

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Organizational structure

We provide a summary of our oversight and governance of climate-related risks and opportunities in Figure 6 below, with additional detail provided on the previous pages.

Figure 6: Organizational structure for the governance of climate-related risks and opportunities



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Integrating climate into our practices and capabilities

The bank continues to integrate climate-related factors into key business processes to support the implementation of our climate strategy. We are embedding climate considerations into lending decisions, and strengthening our capabilities through climate-related data and employee enablement.

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Embedding climate into decision making

The bank's climate strategy implementation, including the management of climate-related risks is supported by our continued integration of climate-related factors into key business processes.

In 2023, the bank focused on improving the procedures for integrating climate into lending decisions used by the RBC Capital Markets® business, which serves the bank's largest clients. The refreshed Environmental & Social Review questionnaire in 2023 and the introduction in November 2023 of the Client Engagement Approach on Climate, which formalizes RBC Capital Markets' approach to engagement with its energy sector clients on their plans for the energy transition, are important enhancements.

In 2023, the business also implemented an assessment tool to measure the impact of lending decisions on RBC's Interim Targets for the oil & gas, power generation and automotive sectors. RBC Capital Markets' front-line business teams use climate-related information as an input when prioritizing transactions to bring forward for approval to the RBC Capital Markets Business Committee. This Committee receives climate-related information as part of the standard submission for in-scope transactions, including it as a consideration in the transaction risk assessment process.

Where significant climate-related issues or other potential reputation risks are identified as part of these procedures, transactions may be escalated to the enterprise Reputation Risk Oversight Committee for further review and decisioning. Further details are provided in the Risk Management section beginning on page 29.

Data capabilities

To support various needs of our businesses, we are building an internal, centralized hub for climate-related data to provide consistent and actionable data across the bank. The platform includes data warehousing and analytics capabilities for internal and third-party data assets and is supported by a centralized and cross-functional team. In addition to developing our internal capabilities, we contribute our expertise to cross-sector collaborative engagements, including the GFANZ Net-Zero Data Public Utility Working Group and the Sustainable Finance Action Council (SFAC) Data Technical Expert Group.

Employee enablement

In 2023, we launched a climate learning program that is available to all employees, which covers the key climate science concepts and an overview of RBC's climate strategy. This training is designed to provide employees with the relevant information to support climate-related discussions with colleagues and clients. To advance enablement, our businesses have also introduced training. For example, in 2023, our Commercial Banking team launched Climate Primers for key sectors as well as a new Climate Playbook to expand advisory expertise on climate. To engage our global employees, we use Earth Day to empower and educate employees to take action at work and in their personal lives. In 2023, this involved a multi-week series of engaging and interactive activities to learn about the bank's climate commitments and incentives for participation.





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Risk management

The ability to
manage risk is a
core competency
of RBC, and is
supported by our
risk-aware culture



Risk management overview

Climate risk requires proactive management and we continually focus on enhancing our climate risk management capabilities

The ability to manage risk is a core competency of RBC and is supported by our risk-aware culture and an effective risk management approach. RBC's approach to climate risk management seeks to integrate climate risk considerations into our existing risk management practices.

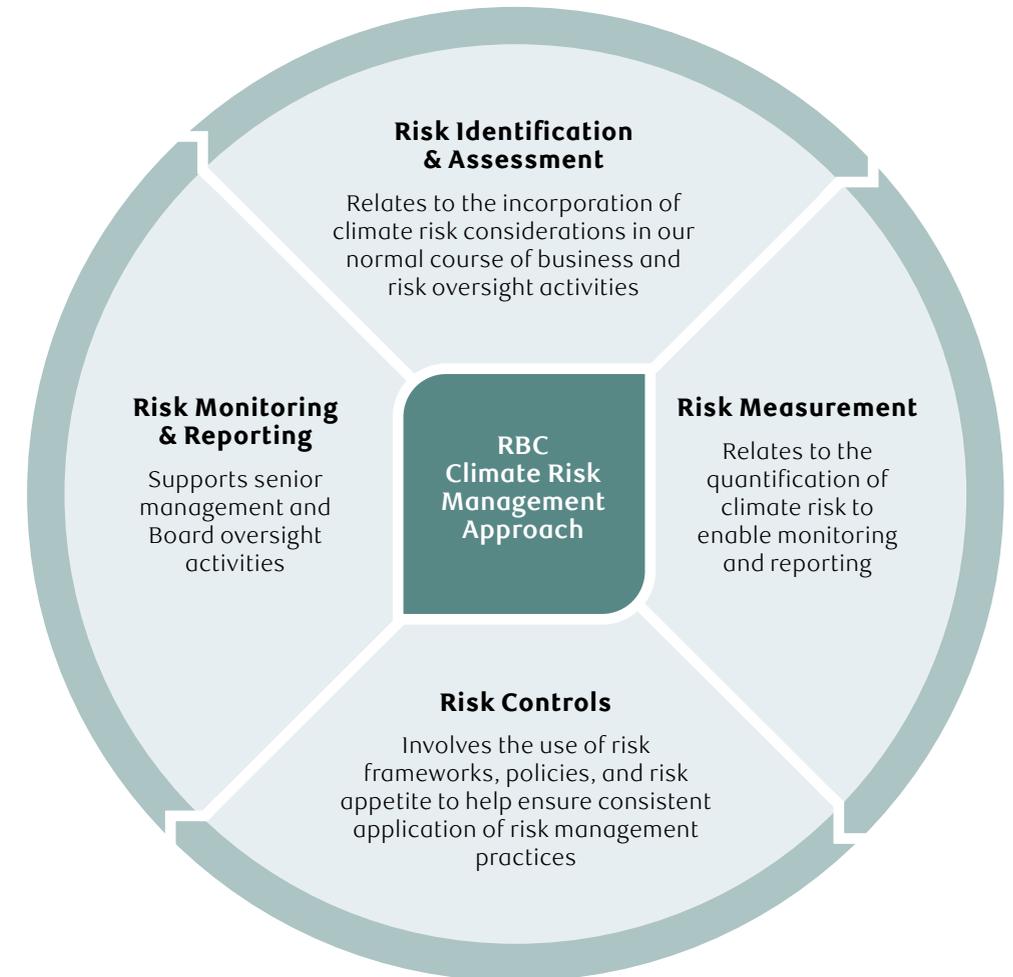
RBC defines climate risk as the risk related to the global transition to a net-zero economy (transition risk)⁴⁷ and the physical impacts of climate change (physical risk)⁴⁸ which includes both chronic (longer-term) risks (e.g., rising sea levels and increases in average temperatures) and acute (event driven) risks (e.g., wildfires and floods).

Enterprise Risk Management Framework

The Enterprise Risk Management Framework serves as the foundation for RBC's approach to risk management and provides an overview of how significant risks are managed at an enterprise-wide level through its four components: risk identification & assessment, risk measurement, risk control, and risk monitoring & reporting. Our Enterprise Risk Appetite Framework outlines the foundational aspects of our approach to risk appetite. Our risk appetite provides clear boundaries, sets an overall tone for balancing risk-reward trade-offs and articulates the bank's approach to risk-taking to help ensure RBC's long-term viability. Together, these two frameworks guide how RBC approaches and manages risks, including climate risk.

RBC's approach to climate risk management seeks to integrate climate risk considerations into our existing risk management practices

Figure 7: RBC's climate risk management approach





Identification, assessment, and management of climate risks

Enterprise Policy on Environmental & Social Risk

RBC's Enterprise Policy on Environmental (including climate) and Social Risk⁴⁹ (E&S Risk Policy) serves as the foundation for our approach to managing E&S risks arising from our activities. It outlines our principles for environmental and social (E&S) risk management, and sets out standards for how E&S risks arising from our activities are identified, assessed, measured, managed, mitigated, monitored and reported.

The E&S Risk Policy is supported by additional business-specific policies and procedures on E&S risk management, which includes an enhanced due diligence process which we undertake for certain corporate and commercial clients, to identify E&S risk issues that may drive E&S risk for RBC. In 2023, we enhanced our due diligence procedures with an update of the RBC Capital Markets Environmental and Social Review (ESR) questionnaire. The updated ESR questionnaire includes additional climate-related information such as transition plans and client emissions reporting for Capital Markets lending transactions⁵⁰ over a specified threshold across all sectors.

Our Policy Guidelines for Sensitive Sectors and Activities¹⁷ address our financing activities to clients and projects operating in the coal-fired power generation and coal mining sectors, the Arctic ecosystem, the Arctic National Wildlife Refuge and the United Nations Educational, Scientific and Cultural Organization World Heritage Sites. Where there are significant reputational E&S issues identified under these policies and procedures, transactions may be escalated to the Reputation Risk Oversight Committee (RROC) for further review and decisioning.

Building on our E&S Risk Policy, our approach to managing climate risk seeks to integrate climate risk considerations into the four components of RBC's risk management approach. See Figure 7 for a visual of these components.

Figure 8: RBC's environmental & social risk policy architecture



Building on our E&S Risk Policy, our approach to managing climate risk seeks to integrate climate risk considerations into the four components of RBC's risk management approach

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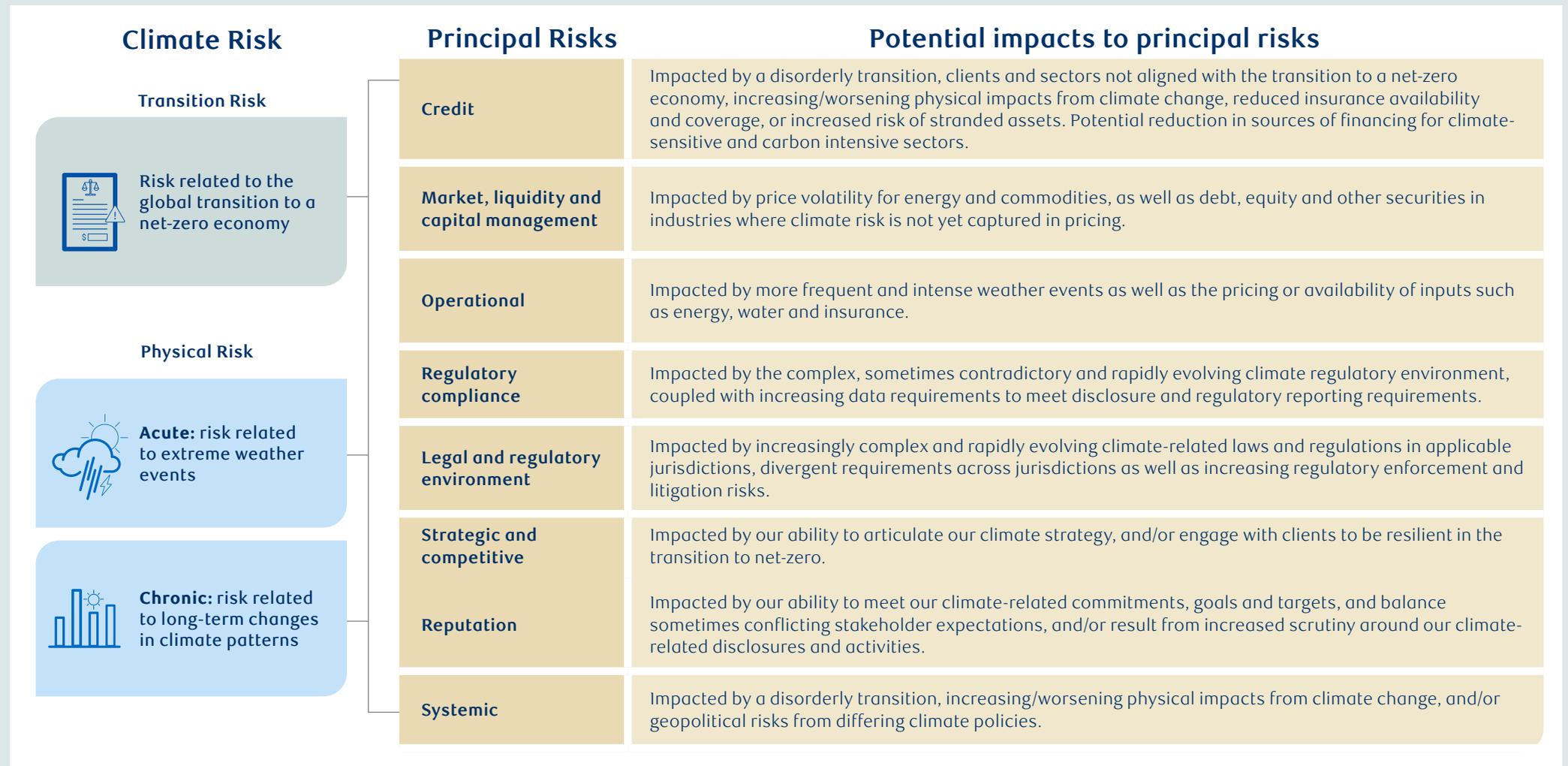
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Identification, assessment, and management of climate risks

Climate-related drivers to our enterprise risks include, but are not limited to those set out in Figure 9 below. We provide additional detail on our climate risk management approach⁵² for each type of principal risk on pages 32-33.

Figure 9: Climate-related risks and potential impacts to principal risks⁵³



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Identification, assessment, and management of climate risks

Credit

We continue to develop our understanding of how physical and transition risks impact credit risk. From a physical risk perspective, we continue to develop our capabilities recognizing the heightened need to integrate physical risk considerations into our risk management framework and business strategy. From a transition risk perspective, we further integrated consideration of transition risk into our credit approval process with the launch of an updated due diligence process for select RBC Capital Markets transactions⁵⁰ (see Integrating climate into our practices and capabilities on page 27) and the transition readiness framework (see pages 14-16) for RBC Capital Markets energy sector clients.

To strengthen our management of credit risk arising from physical risk, we also continue to expand our climate scenario analysis capabilities, focusing on high-risk sectors and considering a range of climate scenarios. In 2023, we began participating in two OSFI programs to advance these capabilities: a standardized climate scenario exercise to understand the impact of different climate scenarios on the banking system and an analysis to assess the exposure of residential real estate lending to flood risks. We also continue to invest in climate data and capabilities to improve quality, accuracy, and coverage of our climate risk measurements. We expect these capabilities will help us to better monitor portfolio exposures to support the climate risk management of our loan book.

Credit risk arising from climate impacts is also managed by maintaining a diversified lending portfolio to improve our resilience to geographic or sectoral downturns, and through our Policy Guidelines on Sensitive Sectors and Activities which govern our approach to certain sectors (e.g., coal) and geographies (e.g., the Arctic).

Market, liquidity and capital management

We incorporate climate-related risks into our capital planning through the bank's overall stress testing (see Table 2 on page 34). Results from such assessments inform our capital plan, which is shared with the Board alongside quarterly updates of actual capital positions.

Specifically for market risk, we continue to use our 'energy crisis scenario' in our daily stress testing against the positions in our trading books. See the Climate scenario analysis section on page 34 for further details.

Operational

In 2023, we updated our operational risk taxonomy to better identify operational risks which have weather-related root causes, including climate-related events, that may have an impact on our business. In addition, we continue to manage and assess climate-related impacts to our operations by classifying and assessing critical environment locations based on our operational risk tolerance for downtime, including those resulting from climate-related factors such as exposure to flooding. Our Business Continuity and Crisis Management programs identifies, analyzes

and prioritizes a full range of threats, which includes extreme weather and other threats associated with climate-related risks. Our Business Continuity Management Program also requires business continuity plans to include recovery strategies, objectives, arrangements, tasks and procedures for loss of third-party suppliers as a result of extreme weather events. In order to ensure the delivery of critical business services through disruptions, we intend to continue to strengthen our comprehensive operational resilience capabilities, taking into account climate-related risks.

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2023 highlights



Enhanced due diligence process to integrate climate risk considerations for RBC Capital Markets lending transactions over a specified threshold⁵⁰



Contributed to the development and provided oversight of the transition readiness framework to assess the robustness of RBC Capital Markets' energy sector clients' transition plans



Increased preparedness to comply with regulations such as OSFI's Guideline B-15 on Climate Risk Management, effective fiscal year 2024





Identification, assessment, and management of climate risks

Regulatory compliance

We have processes and controls in place to manage and mitigate regulatory compliance risks associated with failing to comply with, or adapt to, current and changing laws and regulations in the jurisdictions in which we operate, including climate-related regulations. We also continue to identify opportunities to enhance our capabilities to be ready for compliance with regulations, such as the Office of the Superintendent of Financial Institutions (OSFI) Guideline B-15 Climate Risk Management, which sets out expectations for the management and disclosure of climate-related risks for federally regulated financial institutions (FRFIs) and aims to support FRFIs in developing greater resilience to, and management of, these risks. The first set of guidelines are effective fiscal year 2024, with annual disclosures required to be made publicly available no later than 180 days after fiscal year-end.

Legal and regulatory environment

Environmental-related laws, regulations, frameworks, and guidance that apply to banks, insurers and asset managers continue to evolve rapidly. As a result, new

or heightened requirements could result in increased regulatory, compliance or other costs or higher capital requirements, and may subject us to different and potentially conflicting requirements in the various jurisdictions in which we operate. In addition, as environmental and social issues become more politicized, statutes or regulations in certain jurisdictions may be interpreted to prohibit governmental entities from doing business with certain financial institutions, and political pressure may be placed upon governmental entities to not do business with certain financial institutions, based on the financial institutions' perceived positions on certain environmental and/or social matters. We continue to monitor the development of applicable laws in this area, including but not limited to the evolution of disclosure requirements for public issuers and climate risk management requirements for financial institutions. In addition to monitoring and responding to legal and regulatory changes, we also work with policymakers (governments, regulators, and central banks), peers and other stakeholders to advance shared climate-related measurement methodologies and disclosure standards by participating in industry associations, standard setting bodies and

government consultations. Information gathered is used to periodically review and update policies and procedures to align with new climate-related laws and regulations in the jurisdictions in which we operate. Climate-related disclosures are also subject to a robust governance process, that includes management committee reviews.

Strategic and competitive & Reputation

We benchmark our climate strategy, products and services and disclosures against our industry peers to maintain competitiveness. We rely on proactive communication as a lever to keep stakeholders engaged. We regularly report on climate-related considerations to the Board and communicate to our clients on RBC's climate strategy. In addition, transactions with significant E&S-related reputation risk, as identified from our enhanced due diligence process for select Capital Markets transactions⁵⁰ may be escalated to the enterprise RROC for review.

Refer to the Governance section on page 26 for the RROC mandate.

Systemic

E&S risk is identified as a top and emerging risk for RBC and developments on the E&S landscape are reported to the Board on a quarterly basis. To effectively monitor and report on climate risk, we continue to develop climate risk measurement and monitoring capabilities with a focus on assessing climate impact on the risks that underlie systemic risk (e.g., credit, market, and liquidity risks). We maintain a diversified business model, portfolios, products, activities, and funding sources to reduce the potential impacts from systemic risk. Specifically, we maintain established risk limits designed to help ensure our portfolio is diversified, and concentration risk remains within our risk appetite.

We regularly report on climate-related considerations to the Board and communicate to our clients on RBC's climate strategy



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Climate scenario analysis

Scenario analysis is an important tool to provide forward-looking assessments of climate risks and opportunities in the absence of historical precedents. Climate scenarios are qualitative or quantitative descriptions about possible futures for a given system(s) (e.g., aspects of the climate or economy or a scenario that models aspects of both together). Scenarios can vary in their economic or geographical scope and their timeframe, assumptions, constraints, and level of detail. Scenario analysis assesses the impacts a particular scenario could have on a portfolio, business strategy or operations.

To help ensure that our bank is adequately capitalized against unexpected events resulting from climate change, we integrate select climate scenarios into our stress-testing programs and analyses. Enterprise-Wide Stress Testing (EWST)⁵⁴ and the Comprehensive Capital Analysis and Review (CCAR)⁵⁵ are two key programs that provide insights about the financial impact of climate risk on the business. In 2023, we advanced our approach by incorporating industry carbon tax projections, and by including operational risk (details in Table 2). Incorporating these additional climate risk considerations in these exercises indicated the potential climate-related financial impacts to the bank to be within our risk appetite.

In addition to integrating climate risks in existing stress testing programs, we also conduct stand-alone stress-testing based on select scenarios. Our ‘energy crisis scenario’ models potential market shocks driven by transition risk, which are based on both historical events (e.g., the oil slump induced market sell-off of 2015-16) and hypothetical climate risk themes (e.g., surging prices for alternative energy). This scenario is used to stress test against the positions in our trading book daily. As with other market risk stress tests, the information gleaned from these tests is used for trading limits monitoring as per our Board-approved risk appetite.

We continue to advance our understanding of how climate risks can be included in scenario analysis in the future in line with the evolving strategic and regulatory importance of climate scenario analysis. As climate data availability, and approach to climate scenario analysis remain a challenge, we continue to collaborate with the public sector alongside our peers to collectively work through these challenges. Our participation in two OSFI programs is helping us improve our understanding of the impact of different climate scenarios on the banking system and assess the impact of flood risks on our residential real estate lending.

Table 2: Components of select stress-testing programs and analyses to help assess the financial impact of climate risks on our businesses

Enterprise-Wide Stress Testing	Comprehensive Capital Analysis and Review
<ul style="list-style-type: none"> ▪ The impact of a disorderly transition on RBC’s wholesale portfolio, wherein increased carbon taxes impact energy-consuming sectors and limit the future earning potential of energy producers ▪ The impact of catastrophic climate events such as wildfires and floods to RBC’s residential mortgage clients ▪ The impact of a disorderly transition on RBC’s operations 	<ul style="list-style-type: none"> ▪ A transition risk overlay on RBC’s energy sector U.S. trading book ▪ A physical risk overlay on real estate prices arising from prolonged droughts and wildfires on the U.S. west coast and hurricanes and floods on the U.S. east coast

We continue to advance our understanding of how climate risks can be included in scenario analysis in the future in line with the evolving strategic and regulatory importance of climate scenario analysis

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RBC reports on key
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Metrics and targets overview

RBC reports on key metrics used to measure progress against our climate commitments and manage performance on climate-related risks and opportunities

We expect our progress to net-zero will not be linear. The transition to net-zero is a multi-decade journey with many uncertainties and variables, including financial market cycles that impact sustainable finance and emissions from our lending.⁵⁶ Our performance will also be impacted by technology advancements, consumer demand, and policy changes, among other factors. This is why transparency on our performance and the challenges we face is an important part of our strategy, and this Report reflects this ambition of transparency.

Measuring climate performance presents many challenges related to data quality, evolving methodologies and data

availability, including temporal lags. We continue to invest in our data capabilities to improve our measurement capabilities. In particular, we have expanded the metrics we disclose in our 2023 Climate Report and have also restated certain metrics to reflect updated measurements.

This section provides additional details on our performance against the metrics to measure progress against our climate commitments, goals and targets. We also provide metrics recommended by industry standards and consistent with our previous disclosures, such as our PCAF financed emissions and carbon-related assets as defined in the TCFD Implementation Guidelines, in the Appendix on pages 48-49.

New metrics in the 2023 Climate Report

- ✓ Value of green finance² by eligible activity (p. 12)
- ✓ Performance against our Interim Targets for lending in three sectors (p. 41)
- ✓ Absolute financed emissions for the oil & gas sector (authorized basis) (p. 43)
- ✓ PCAF financed emissions for the agriculture sector (p. 48)

New metrics in line with our 2024 developments

- ✓ Lending to low-carbon energy, including renewable energy⁶ (p. 37)
- ✓ Results of the initial assessment of the transition plans of RBC Capital Markets' energy sector clients (p. 14-16)
- ✓ Climate investment commitments⁷ (p. 37)

Spotlight

Addressing climate measurement and reporting challenges

To help address challenges relating to climate measurement and reporting, RBC is advancing its data capabilities and working with organizations such as the NZBA, PCAF, SFAC and RMI to develop industry comparable standards and methodologies. The bank is also responding to proposals from regulators and standard-setters in several jurisdictions that are working on climate disclosure requirements. RBC is also a member of several industry associations that monitor the regulatory environment for climate disclosure requirements. These industry groups include the Canadian Bankers Association and the American Bankers Association. Through industry groups, RBC provides feedback on key regulations and industry standards, as well as contributes to the development of voluntary industry guidelines. See Measurement considerations for emissions from lending on page 40 for further information. Additional details on our memberships are provided on pages 55-56 of the Appendix.

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Summary of metrics to measure progress

RBC monitors and manages its performance against measurable climate commitments, goals, and targets in line with its climate strategy. We also monitor metrics that indicate progress against our strategy, such as client transition plans and absolute financed emissions for oil & gas. These are summarized below.

Performance metric		Goal	2023	2022	2021	Baseline	Reference	
Help clients as they transition to net-zero								
Sustainable finance ^{i,57}	Annual green finance (\$ billion)	–	\$29.5	\$25.2 ⁱⁱ	\$31.8	–	p. 12	
	Cumulative sustainable finance (\$ billion)	\$500 billion by 2025	\$393.9	\$290.9 ⁱ	\$203.0 ⁱ	–	p. 38	
Low-carbon energy lending ⁶	Low-carbon energy (\$ billion) NEW	Grow to \$35 billion by 2030	\$20.5	N/A	N/A	2023	p. 14	
	Renewable energy for RBC Capital Markets and Commercial Banking (\$ billion) NEW	Triple by 2030	\$5.2	N/A	N/A	2023	p. 14	
	Other low-carbon energy ⁱⁱⁱ (\$ billion) NEW	–	\$15.3	N/A	N/A	–	p. 14	
Client transition plans	RBC Capital Markets energy sector clients with a transition plan (% of exposure to such clients) NEW	–	79%	N/A	N/A	–	p. 14	
Hold ourselves accountable								
Emissions from our lending	Interim Targets ^{iv}	Oil & gas – Scope 1 & 2 (grams of CO ₂ e/MJ)	4.9 gCO ₂ e/MJ 35% reduction by 2030	7.2 -5%	7.3 -4%	7.8 3%	7.6 (2019)	p. 41
		Oil & gas – Scope 3 (grams of CO ₂ e/MJ)	63.0 ^{iv} – 50.2 gCO ₂ e/MJ 11% – 29% ^{iv} reduction by 2030	74.2 5%	74.4 5%	75.5 7%	70.8 ^{iv} (2019)	p. 41
		Power generation – Scope 1 (grams of CO ₂ e/kWh)	156 gCO ₂ e/kWh 54% reduction by 2030	260 -24%	304 -11%	296 -13%	340 (2019)	p. 41
		Automotive – Scope 1, 2 and 3 tank-to-wheel (grams of CO ₂ e/km)	102 gCO ₂ e/km 47% reduction by 2030	187 -3%	189 -2%	200 4%	192 (2019)	p. 41
	Absolute financed emissions	Oil & gas – Scope 1, 2 & 3 (million tonnes of CO ₂ e)	–	71.4	N/A	N/A	–	p. 43
Inform and inspire a sustainable future								
Investments in climate innovation	Community investments ²¹ (cumulative, \$ million)	\$100 million by 2025	\$60.8	\$39.6	\$27.3	–	p. 21	
	Climate investment commitments (cumulative, \$ million) ^v NEW	\$1 billion to support innovative climate solutions ⁷ by 2030	\$145.3 ^v	\$95.4	N/A	–	p. 21	
Advance net-zero leadership in our own operations								
Emissions from our operations ^{vi}	Total market-based GHG emissions (tonnes of CO ₂ e)	50,322 tonnes ^{vi} 70% reduction by 2025 ¹³	56,089 -67%	70,457 ^{vi} -58% ^{vi}	69,989 ^{vi} -58% ^{vi}	167,741 ^{vi} (2018)	p. 44	
	Percentage of electricity from renewable and non-emitting sources (%)	100% by 2025 ¹⁴	100%	90%	84%	–	p. 44	

NEW New developments. For details about metrics related to 2024 developments refer to page 36.

ⁱ Sustainable finance refers to financial activities that take into account ESG factors. Sustainable finance amounts have been restated for 2022 and 2021; refer to Table 3 and Figure 10 on page 38 for details.

ⁱⁱ We have restated our 2022 comparative figure due to transactions subsequently identified as eligible. The amount previously reported in billions of Canadian dollars was 23.7.

ⁱⁱⁱ Other low-carbon energy includes low-carbon energy (e.g., nuclear), transmission, distribution and storage. It also includes lending to renewable energy by City National Bank.

^{iv} Baseline physical emissions intensity figures have been restated for oil & gas Scope 3 and this resulted in a restatement of the target; see Table 5 on page 41 for details.

^v Cumulative climate investment commitments at the end of 2023 have been revalued using the spot exchange rate as at October 31, 2023 (C\$1.00 = US\$0.721). During 2023, RBC's new commitments amounted to \$48.2 million.

^{vi} Scope 3 emissions (business travel) have been restated for our 2018 baseline and our 2019 to 2022 comparatives; refer to Table 7 on page 44 and Figure 15 on page 45 for details.

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Sustainable finance

Sustainable finance refers to financial activities that take into account environmental, social and governance factors. Our methodology for measuring progress towards the bank's Sustainable Finance Commitment³ is detailed in our Sustainable Finance Framework.

Details on our performance are provided below, including the value of sustainable finance facilitated by transaction type and our cumulative progress towards our Sustainable Finance Commitment.³ Details on green finance can be found in the Strategy section on page 12.

In 2023, we facilitated \$103.0 billion in sustainable finance, up from \$87.9 billion in 2022, an increase of \$15.1 billion or 17%. Table 3 provides more detail on these figures and Figure 10 illustrates our cumulative progress toward our Sustainable Finance Commitment.

Table 3: Sustainable finance facilitated by type of transactionⁱ, for the year ended October 31

Billions of Canadian dollars

Performance metrics	2023	2022	2021
Credit extended to eligible clients and projects	\$47.8	\$39.3	\$24.8
Green, social, sustainability and sustainability-linked bonds underwritten	\$16.5	\$13.2 ⁱⁱ	\$19.6 ⁱⁱ
Capital raised for eligible clients and projects	\$2.0	\$1.4 ⁱⁱⁱ	\$3.6 ⁱⁱⁱ
Mergers and acquisition (M&A) deals for eligible clients	\$4.5	\$9.1 ^{iv}	\$12.7 ^{iv}
Eligible U.S. municipal bonds underwritten	\$25.3	\$22.1	\$22.5 ^v
Tax credit investments closed	\$3.5	\$1.9	\$1.1
Green, social and sustainability bond holdings	\$3.4	\$0.9	\$2.1
Total sustainable finance facilitated	\$103.0	\$87.9^{vi}	\$86.4^{vi}

ⁱ Performance metrics and reporting basis are described on pages 20-23 of the Sustainable Finance Framework.

ⁱⁱ We have restated our 2022 and 2021 comparative figures due to transactions subsequently identified as eligible, updates by our third party data provider to the league credit assigned to eligible transactions and to reclassify transactions from Capital raised for eligible clients and projects to this category. The amounts previously reported in billions of Canadian dollars were: 2022 – 12 and 2021 – 15.6.

ⁱⁱⁱ We have restated our 2022 and 2021 comparative figures due primarily to transactions subsequently identified as ineligible and to reclassify transactions to the Green, social, sustainability and sustainability-linked bonds underwritten category. The amounts previously reported in billions of Canadian dollars were: 2022 – 0.8 and 2021 – 7.4.

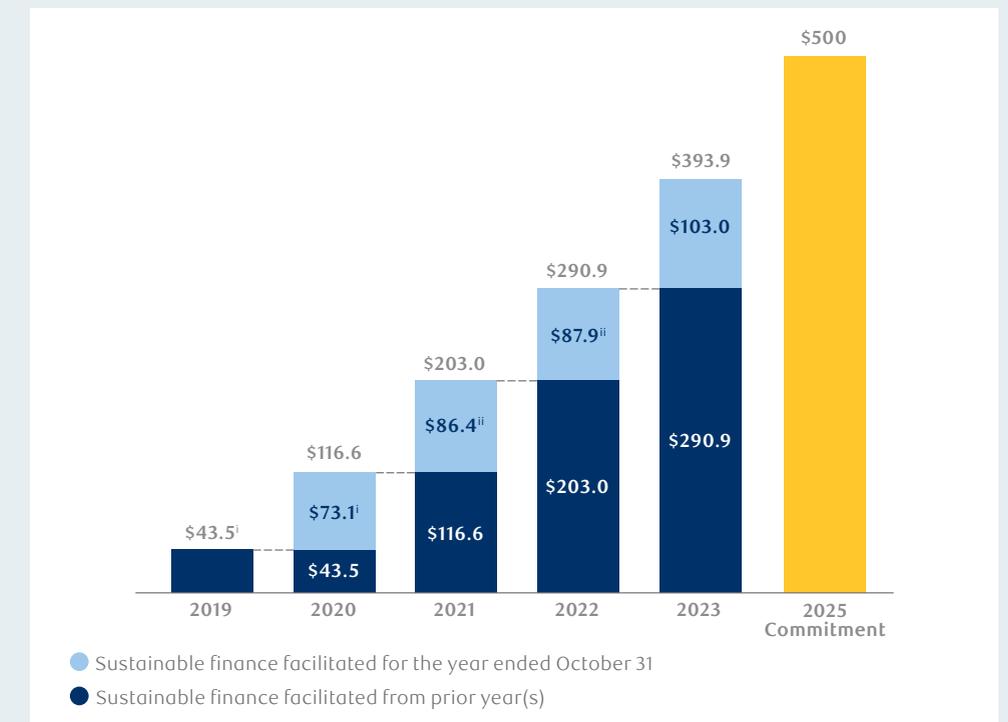
^{iv} We have restated our 2022 and 2021 comparative figures due primarily to transactions subsequently identified as eligible. The amounts previously reported in billions of Canadian dollars were: 2022 – 7.8 and 2021 – 9.8.

^v We have restated our 2021 comparative figure due primarily to a change in our third-party data provider. The amount previously reported in billions of Canadian dollars was: 2021 – 23.0.

^{vi} We have restated our 2022 and 2021 comparative figures for the reasons noted above. The totals for sustainable finance facilitated previously reported in billions of Canadian dollars were 2022 – 84.4 and 2021 – 83.8.

Figure 10: Sustainable finance facilitated

Billions of Canadian dollars



ⁱ We have restated our 2019 and 2020 comparative figures due primarily to transactions subsequently identified as eligible, a change in our third party data provider and updates by our third party data provider to the league credit assigned to eligible transactions. The amounts previously reported in billions of Canadian dollars were: 2019 – 40.8 and 2020 – 73.3.

ⁱⁱ As described in Table 3, we have restated our 2021 and 2022 comparative figures.

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Emissions from our lending

We recognize that there are many different metrics that can be used to assess the climate performance of financial institutions. In an effort to provide transparent disclosure that meets the needs of our stakeholders, we disclose a number of metrics we use to monitor emissions from our lending. We have summarized these metrics and their purpose in Table 4. Details on the methodology used to calculate these metrics can be found in the Appendix on pages 51-53.

We are committed to achieving net-zero emissions from our lending by 2050, and to setting interim targets for other sectors, where relevant and meaningful to do so. In 2021, we joined the NZBA alongside global peer banks to align on common standards and frameworks. A year later, we published our initial set of Interim Targets for the oil & gas,

power generation, and automotive sectors in our [Net-Zero Report](#). In this Report, we report on our performance against our Interim Targets for the first time. Details of our performance are on page 41.

We are also disclosing absolute financed emissions for the oil & gas sector on an authorized basis and we plan to monitor and report our absolute financed emissions for this sector over time. RBC also continues to disclose financed emissions on an outstanding basis for several sectors such as energy (consisting of the oil & gas and power generation sectors), automotive, and agriculture, in accordance with the PCAF Standard (2022). Our financed emissions on an outstanding basis are referred to as PCAF financed emissions and are set out on page 48 of the Appendix.



Table 4: Key characteristics of reported metrics on emissions from our lending

Metric	Interim Targets (grams of CO ₂ e/km, kWh or MJ depending on sector)	Absolute financed emissions (million tonnes of CO ₂ e)	PCAF financed emissions (million tonnes of CO ₂ e)
Categorization	Physical emissions intensity	Absolute financed emissions	Absolute financed emissions
Purpose	Provides transparency on performance against our Interim Targets, based on the intensity of financed emissions in terms of emissions per unit of production, as part of our commitment to achieve net-zero in lending by 2050	Provides transparency on total absolute financed emissions on an authorized balance basis, which is used to track our absolute financed emissions in the oil & gas sector over time	Provides transparency on total absolute financed emissions on an outstanding balance basis, a commonly used metric by the financial institutions in line with the PCAF Standard. This metric was used to inform our initial assessment of sectors and is disclosed to enhance comparability across peers
Scope of lending	Authorized credit amounts (on- and off-balance sheet commitments)	Authorized credit amounts (on- and off-balance sheet commitments)	Outstanding balances (on-balance sheet loans)
Page reference	Page 41	Page 43	Page 48 in the Appendix

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Emissions from our lending

Measurement considerations for emissions from our lending

While RBC and other financial institutions continue to work to improve our collective capabilities in this evolving area, there continue to be numerous challenges in measuring emissions from our lending

Below are some of the measurement challenges we continue to experience and how we have approached them in our disclosure.

Data lags in availability of client emissions data

Measuring emissions from our lending requires us to estimate emissions or use client reported emissions for the reporting period, however, there may be a lag in the availability of client reported emissions data; i.e. client emissions data may not be available for the applicable reporting period. Data lag is a recognized issue across the financial industry and the typical lag for reported emissions data we have observed ranges from one to two years.

Following guidance from the PCAF Standard, we measure emissions from our lending using the most recent data available to us. As such, we may have a mismatch in years where our client reported emissions data is not available for a given reporting period. For example, the emissions from our lending for 2022 and 2023 are based primarily on client reported emissions data from 2021. The emissions from our lending for these periods therefore have a higher level of measurement uncertainty compared to earlier reporting periods (2019, 2020 and 2021), which are based primarily on client reported emissions data aligned to those reporting periods. To reflect the impact of this data lag, we have indicated that our emissions from our lending

in 2022 and 2023 have ‘higher levels of measurement uncertainty’ compared to the prior reporting periods. We anticipate this data lag to shorten as regulations on climate-related disclosure come into effect and our third-party data vendors improve their data collection processes, allowing us to use more up-to-date reported data for our calculations.

Data sources and availability

We collect client emissions data from publicly available sources of information, through engagement with our clients and through third-party data vendors. Where clients’ reported emissions data is unavailable from these data sources we rely on emission factors⁵⁸ as proxies to estimate client emissions. The availability, quality and reliability of data differ considerably by sector, sub-sector and scope of emissions. For example, while many of our clients in the oil & gas sector are disclosing their Scope 1 and 2 emissions, Scope 3 emissions data is less often reported, and consequently, obtaining client-level Scope 3 emissions data continues to present a challenge for us. As more clients begin to report emissions data it will help improve the accuracy of our measurement. However, this can also create measurement inconsistencies where client emissions data may not be reported for comparative periods. In these cases, we continue to rely on proxies to estimate

client emissions for reporting periods for which we do not have client reported data. We continue to monitor potential ways to improve data availability and quality and enhance relevant methodologies to improve our measurement in future disclosures.

Restatements to reflect improved and up to date data

We expect data uncertainty will continue to improve due to shortening data lags, enhanced client emissions reporting and the availability of additional data sources. As we continue to report our performance in future disclosures, our measurements of emissions from our lending, including where applicable in respect of the baseline period, baseline, Interim Targets and our performance against our Interim Targets, may be restated to reflect the most recent client reported data, client restatements of previously reported data, evolving standards and methodologies, and new data sources, among other changes.

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Emissions from our lending

Performance against our Interim Targets

This section provides an overview of our performance against our Interim Targets. In 2022, we set our Interim Targets with a 2019 baseline year and on a physical emissions intensity basis. For a description of the actions we are taking to achieve our Interim Targets, see pages 11-19 of the Strategy section. For more details on the considerations and challenges in meeting our Interim Targets, refer to our Net-Zero Report.

To provide the most up to date measurements and comparable figures, we have restated our 2019 baseline for oil & gas Scope 3. For more details on measurement challenges, see page 40.

Additional details on our measurement methodology can be found on page 53 in the Appendix.

Path to Interim Targets and challenges

We recognize that meeting our Interim Targets will require action by RBC, our clients and other stakeholders including policymakers. We are encouraged that some of our clients have already established transition plans and set emissions reduction targets. RBC intends to support these clients in implementing and following through on their plans. Where clients have not yet set targets, RBC intends to encourage clients to do so. We also intend to evolve our business in a manner that helps us progress towards meeting these Interim Targets. In some instances, achieving these Interim Targets will require additional action beyond the control of RBC and our clients. Success will depend on broader changes in the economy driven by policy action, as well as technological breakthroughs. While RBC is committed to contributing to these broader shifts through actions such as those led by the RBC Climate Action Institute, many of these factors remain outside of our direct control. See our [Net-Zero Report](#) for details on our Interim Targets.

Table 5: Performance against our Interim Targets, for the year ended October 31

Sector	Metric	2030 target	2023	2022	2021	2020	Baseline (2019)	2023 results vs baseline (%)
Energy	Oil & gas	4.9 (35% reduction)	7.2	7.3	7.8	8.1	7.6	-5%
		63.0 ⁱ – 50.2 (11% – 29% reduction) ⁱ	74.2	74.4	75.5	71.1	70.8 ⁱ	+5%
	Power generation	156 (54% reduction)	260	304	296	315	340	-24%
Automotive	Scope 1, 2 & 3 tank-to-wheel (gCO ₂ e/km)	102 (47% reduction)	187	189	200	198	192	-3%

ⁱ Indicates higher levels of measurement uncertainty. See page 40 for additional details.

ⁱ We have restated our 2019 baseline for oil & gas Scope 3 from 68.6gCO₂e/MJ to 70.8 gCO₂e/MJ. As a result, we have also restated our lower bound target from 61.1 gCO₂e/MJ to 63.0 gCO₂e/MJ and the percentage reduction remains at 11%. While we have not restated our upper bound target, the percentage reduction has been restated from 27% to 29% to reflect the restatement of our 2019 baseline.

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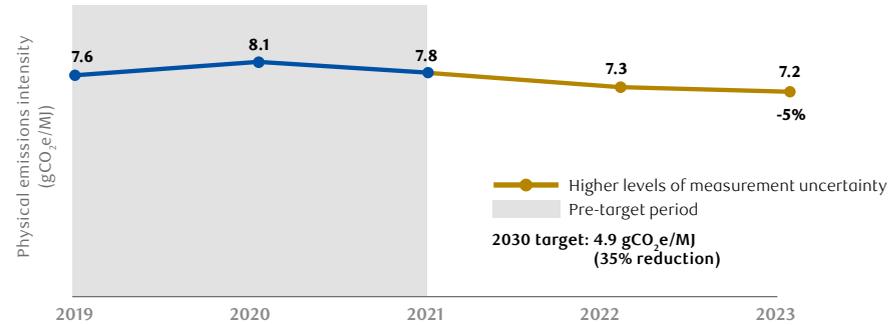


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Performance against our Interim Targets

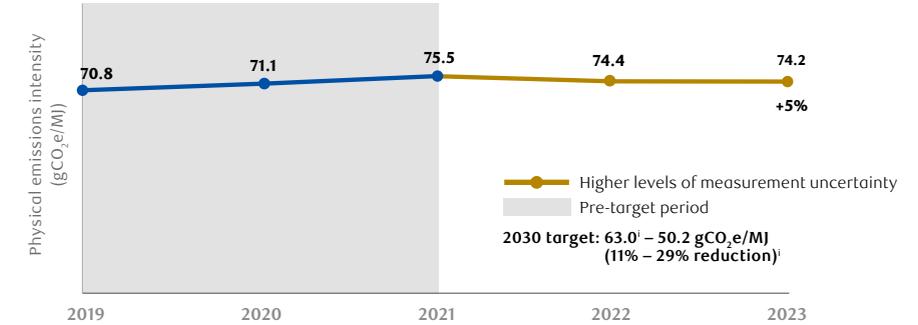
Energy: Oil & gas

Figure 11: Performance against our Interim Targets for oil & gas – Scope 1 & 2 (gCO₂e/MJ)



In 2023, Scope 1 & 2 physical emissions intensity decreased by 5% compared to our 2019 baseline. The reduction was mainly due to shifts in our portfolio driven by reduced lending needs from some of our more emissions intensive clients, and increased lending to clients with lower emissions intensity.

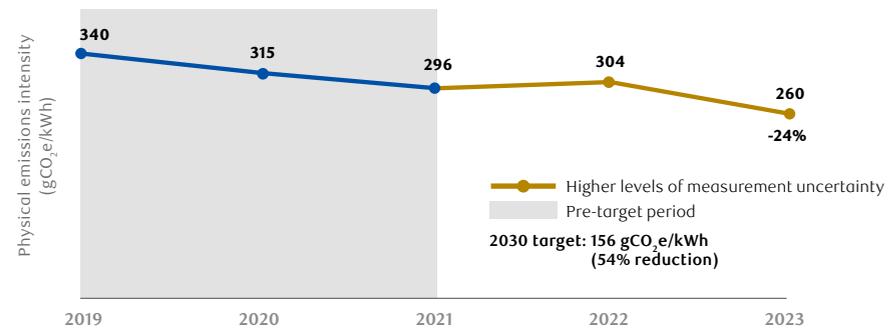
Figure 12: Performance against our Interim Targets for oil & gas – Scope 3 (gCO₂e/MJ)



In 2023, our Scope 3 physical emissions intensity increased by 5% compared to our 2019 baseline. This is heavily influenced by the increase in the availability of client reported emissions data in more recent periods, which has a higher emissions intensity than emissions proxies, which we are heavily reliant on for the measurement of our 2019 baseline (see page 40 for additional detail). We also saw a slight decrease in intensity since 2021 due to shifts in our portfolio which resulted in a decline between 2021-2023. We expect that our Scope 3 emissions will continue to fluctuate as more clients report Scope 3 emissions, Scope 3 measurement methodologies evolve, and, for clients who do not report Scope 3 emissions, we enhance our capabilities to estimate these emissions using proxies.

Energy: Power generation

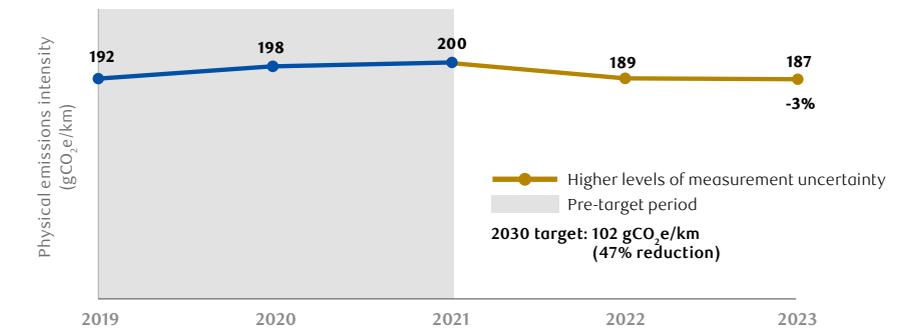
Figure 13: Performance against our Interim Targets for power generation – Scope 1 (gCO₂e/kWh)



In 2023, Scope 1 physical emissions intensity decreased by 24% compared to our 2019 baseline. The decrease is driven by a combination of client actions to transition to low-carbon energy sources, as well as our efforts to grow lending in the power generation sector to clients that have a greater share of renewable and other low-carbon energy sources (e.g., nuclear).

Automotive

Figure 14: Performance against our Interim Targets for automotive – Scope 1, 2 & 3 tank-to-wheel (gCO₂e/km)



In 2023, Scope 1, 2, 3 physical emissions intensity decreased by 3% compared to our 2019 baseline. This decrease was driven by new lending to pure play EV manufacturers and reductions in emissions intensity for some of our clients.

ⁱ We have restated our 2019 baseline for oil & gas Scope 3 from 68.6gCO₂e/MJ to 70.8 gCO₂e/MJ. As a result, we have also restated our lower bound target from 61.1 gCO₂e/MJ to 63.0 gCO₂e/MJ and the percentage reduction remains at 11%. While we have not restated our upper bound target, the percentage reduction has been restated from 27% to 29% to reflect the restatement of our 2019 baseline.

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Emissions from our lending

Absolute financed emissions for the oil & gas sector

We are committed to transparency with our stakeholders and have included additional disclosure of our absolute financed emissions for the oil & gas sector on an authorized basis. Absolute emissions from the oil & gas sector must decline over time as part of the transition to a net-zero economy. RBC is committed to taking action to bring down our absolute financed emissions for this sector over time.⁴ This will include the strategic allocation of capital and the acceleration of our strategy to prioritize working with clients who are proactively taking steps to decarbonize.

For details on the methodology used to calculate this metric, see page 51 of the Appendix.

Table 6: Absolute financed emissions for the oil & gas sector (authorized basis), for the year ended October 31, 2023

Sector	Metric	2023
Oil & Gas	Scopes 1, 2 & 3 (million tonnes of CO ₂ e)	71.4

■ Indicates higher levels of measurement uncertainty. See page 40 for additional details.

Limitations due to changes in market value in measuring financed emissions over time

Financed emissions are the share of a borrower's emissions financed by a financial institution. This metric is calculated by multiplying the borrower's emissions by an attribution factor, which is equal to the amount of financing provided to the borrower divided by the borrower's enterprise value including cash (EVIC) or total equity and debt for private companies. At a portfolio level, this metric is calculated by summing the financed emissions of all of the clients in the portfolio.

As EVIC includes the market capitalization of ordinary shares, changes in a client's market value can significantly impact the comparability of financed emissions, which PCAF acknowledges in their latest standard. In the absence of a commonly used methodology, we have not adjusted for changes in market value when measuring our absolute and PCAF financed emissions in this Report. However, given that factors like changes to market value can impact the comparability of financed emissions, we intend to make methodological enhancements in future reporting, where relevant. We also intend to work alongside PCAF members and other standard-setting bodies to encourage common approaches to address challenges like fluctuating market value in measuring financed emissions.

We have disclosed absolute financed emissions for the oil & gas sector – this metric will guide our business strategy and the actions we take to bring down emissions over time⁴





Emissions from our operations

RBC's goal is to reduce GHG emissions from our own global operations by 70%¹³ by 2025 relative to our baseline of 2018. This goal covers Scope 1, Scope 2 (market-based)⁵⁹ and Scope 3 (business travel), also referred to in this section as operational emissions and total market-based emissions. In 2018, approximately 60% of our operational emissions resulted from our consumption of electricity.⁶⁰ To make progress on our operational emissions reduction goal, we have focused on increasing electrification and energy efficiency, and procuring renewable electricity.

Table 7 provides our operational emissions for the last three years, as well as for our 2018 baseline. Figure 15 provides a visual representation of our operational emissions against our operational emissions reduction goal.

PwC has performed a limited assurance engagement for a select number of our climate metrics. You can read more about the scope of PwC's work, including the metrics in scope, in our [2023 ESG Progress Report](#) on pages 135-136.

We report multi-year data calculated in accordance with the GHG Protocol⁶¹ for the emissions from our operations for the following scopes:

- ✓ **Scope 1 (Direct) – Fuels:** Heating fuels, such as natural gas used to heat our branches, major properties, data centres and water. We also include the fuels directly purchased for travel for company-owned modes of transportation.
- ✓ **Scope 2 (Indirect) – Electricity & District Energy:** Purchased electricity, cooling and steam used in our branches, major properties and data centres. The emissions associated with our electricity consumption depend on which source is used to produce electricity in each of the jurisdictions where we operate.
- ✓ **Scope 3 (Indirect) – Business Travel (Category 6):** Business-related travel, including by car, rail and air.

Additional methodology details on the reporting period and emissions factors are in the Appendix on page 54.

Table 7: Operational emissions performance metrics, for the year ended October 31

Performance Metrics	2023	2022	2021	Baseline year (2018)
Scope 1 (tonnes of CO ₂ e)	23,873	22,840	21,089	24,821
Scope 2, location-based (tonnes of CO ₂ e)	63,713	65,577	70,440	102,009
GHG emissions reductions from renewable energy certificates (tonnes of CO ₂ e) ⁴⁴	-63,713	-35,379	-24,712	-4,718
Scope 2, market-based (tonnes of CO ₂ e) ⁵⁹	0	30,198	45,728	97,291
Scope 3 (business travel) (tonnes of CO ₂ e) ⁶²	32,216	17,419 ⁱ	3,172 ⁱ	45,629 ⁱ
Total location-based emissions (tonnes of CO ₂ e)	119,802	105,836 ⁱⁱ	94,701 ⁱⁱ	172,459 ⁱⁱ
Total market-based emissions (tonnes of CO ₂ e)	56,089	70,457 ⁱⁱ	69,989 ⁱⁱ	167,741 ⁱⁱ
Change in total market-based emissions vs. 2018 baseline (%) ¹³	-67%	-58% ⁱⁱ	-58% ⁱⁱ	-
GHG emissions intensity from energy use (tonnes of CO ₂ e/m ²) ⁶³	0.011	0.025	0.032	0.057
Percentage of electricity from renewable and non-emitting sources for all properties ¹⁴	100%	90%	84%	75%

ⁱ We have restated our Scope 3 (business travel) comparative figures and our 2018 baseline due to incorrect emissions factors and conversions used to measure emissions from business travel. The amounts previously reported in tonnes of CO₂e were: 2022 – 11,920; 2021 – 1,555; 2020 – 11,726 (vs. restated 15,583); 2019 – 30,307 (vs restated 38,086); 2018 baseline – 31,741.

ⁱⁱ We have restated comparative figures for total location-based emissions, total market-based emissions, and the change in total market-based vs. 2018 baseline accordingly, where applicable due to the restatement of our Scope 3 (business travel) emissions.

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Emissions from our operations

Performance in 2023 relative to 2018 baseline

Our total market-based emissions decreased by 67% relative to our 2018 baseline. This is due to a decrease in Scope 1 emissions of 4%, Scope 2 (market-based) emissions of 100% and a decrease in our Scope 3 (business travel) emissions of 29%. The Scope 2 (market-based) emissions reduction of 100% relative to the 2018 baseline is driven by an increase in our sourcing of RECs and corresponding GHG emissions reductions, and is supported by our efforts to reduce electricity consumption at source, which amounted to 38% reduction of Scope 2 location-based emissions.

Performance relative to 2022

Our total market-based emissions decreased by 20% relative to 2022, which was driven by emissions reductions from our sourcing of RECs. In 2023, there was a year-over-year increase in Scope 3 (business travel) emissions of 85%. Our Scope 3 (business travel) emissions in 2022 were influenced by reduced business travel in the early half of that year as a result of the pandemic. We believe our Scope 3 (business travel) emissions have normalized in 2023. Scope 1 emissions increased by 5%, and as a result, was not a primary driver of the overall change in total market-based emissions.

renewable sources with RECs sourced from within the same region. Over 215,000 MWh of RECs were purchased. Further, as part of our renewable electricity procurement strategy, we have more closely matched the sources from which we obtain our RECs to better align with our global real estate portfolio. We believe this supports renewable electricity projects in each region we operate in, and contributes to the broader decarbonization of the electricity grids we rely on.

One of the key instruments the bank uses to support grid decarbonization are our PPAs. To date RBC has signed two PPAs, from which we source renewable electricity from utility scale solar power installations, as well as a wind farm. In 2023, our PPAs accounted for 16% of RBC's electricity demand in Canada. This represents 12% of RBC's global electricity consumption.

In 2023, RBC sourced 100% of its global electricity consumption from renewable sources

Renewable electricity

In 2023, RBC sourced 100% of its global electricity consumption from renewable sources. This requires matching non-

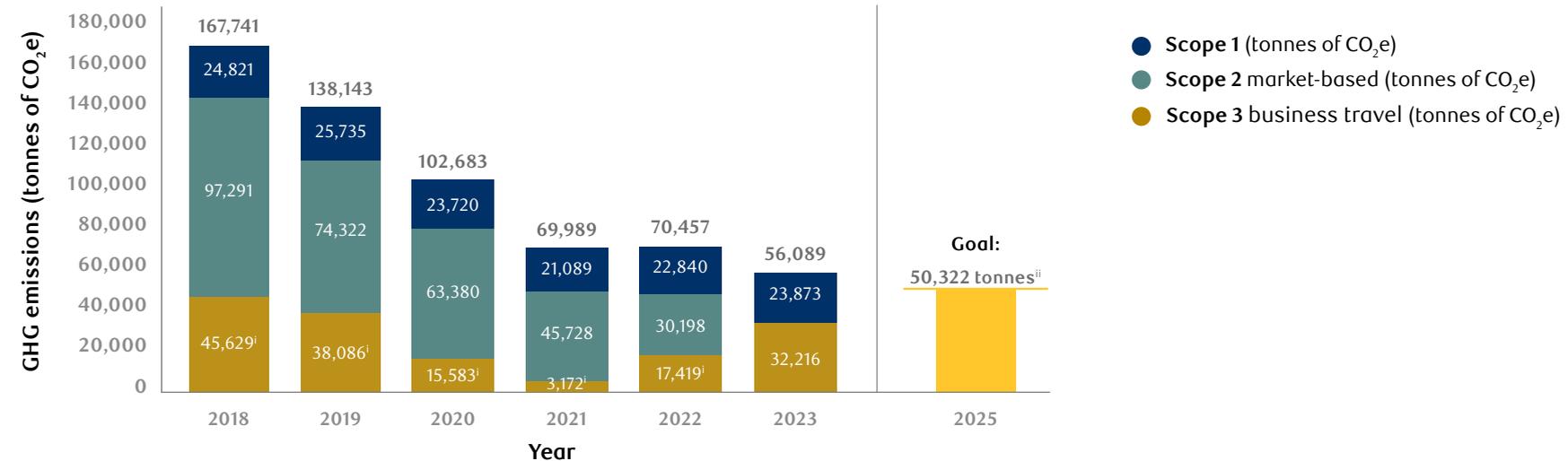
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Figure 15: Market-based emissions from our operations, for the year ended October 31



ⁱ We have restated Scope 3 (business travel) comparative figures, including our 2018 baseline year and restated our total market-based emissions accordingly. Please see Table 7 on page 44 for details.

ⁱⁱ Our emissions reduction goal in tonnes of CO₂e has been updated to reflect the restatement of our Scope 3 (business travel) baseline emissions.





Emissions from our operations

Carbon credits⁴⁵

In addition to our efforts to reduce emissions from our operations, we purchase and retire carbon credits equivalent to our total market-based emissions. We believe the annual purchase of carbon credits provides valuable support for technologies and projects that help to decrease emissions. We have purchased and retired carbon credits equal to the cumulative amount of total-market based emissions reported since 2018. See Table 8 below for further information on carbon credits.

The carbon credits we purchase are verified by third-party carbon credit registries such as Climate Action Reserve, Verra, and American Carbon Registry and fulfil the methodologies of the carbon credit registries⁶⁴ to demonstrate additionality⁶⁵

and permanence.⁶⁶ We conduct due diligence as part of our procurement process and take into account location, technology, vintage and additional community and/or environmental benefits and impacts.

While the market for carbon credits is still maturing, we believe purchasing carbon credits that demonstrate key qualities, such as additionality and permanence, provides much needed capital to support projects that contribute to climate action with potential to help scale new technologies and natural carbon sinks. We are also supportive of efforts to strengthen the voluntary carbon markets, including the work of the Integrity Council for the Voluntary Carbon Market, and we look to incorporate emerging best practices into our own assessment of purchases of carbon credits.

Table 8: Carbon credits purchased and retired, for the year ended October 31

Performance metrics	2023	2022	2021
Carbon credits purchased and retired (tonnes of CO ₂ e) ⁱ	88,729 ⁱⁱ	68,471 ⁱⁱⁱ	68,232 ⁱⁱⁱ

ⁱ We purchase carbon credits after each fiscal year to compensate for the total market-based emissions reported for that fiscal year. Where we have restated our operational emissions, we have purchased additional carbon credits so that emissions that were not previously reported are also compensated. In 2023, the cumulative impact of the restatement of our Scope 3 (business travel) emissions was an increase of 32,640 tonnes of CO₂e (refer to Table 7 for additional details). In 2022, we restated our operational emissions which resulted in a cumulative increase in operational emissions of 3,513 tonnes of CO₂e from what was previously reported.

ⁱⁱ In respect of 2023, we purchased carbon offsets of 88,729 tonnes of CO₂e, which represents the total market-based emissions for 2023 of 56,089 tonnes of CO₂e, plus additional carbon credits purchased to compensate for the restatement of our Scope 3 (business travel) emissions of 32,640 tonnes of CO₂e.

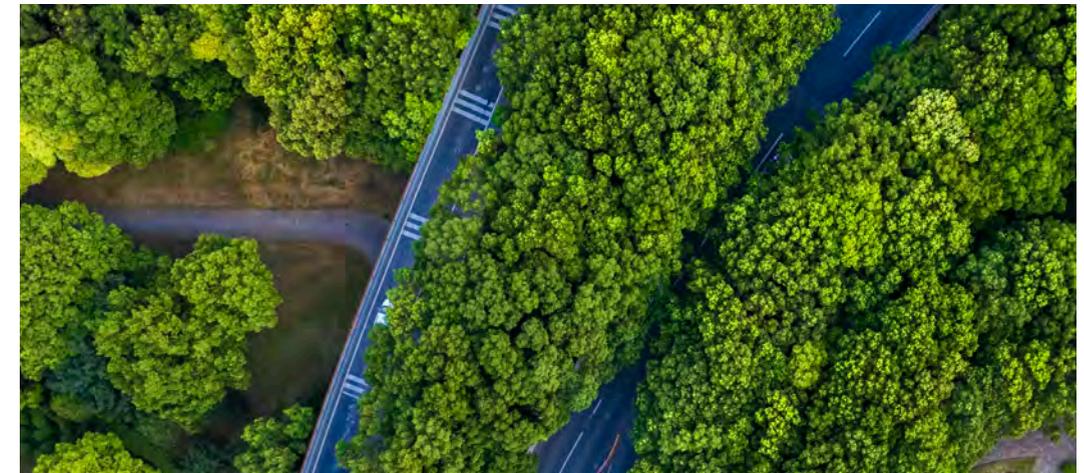
ⁱⁱⁱ We have restated the comparative figures to present the carbon credits purchased and retired in respect of each period; previously additional carbon credits were retrospectively allocated to the periods in which the emissions were reported. The amounts previously reported in tonnes of CO₂e were: 2022 – 64,958; 2021 – 68,372.

Spotlight

Environmental Markets Solutions Group

RBC actively trades carbon credits in most major markets and offers North American, European and global carbon credits. RBC was the first Canadian bank to open an Environmental Trading Desk in 2008. In 2023, to increase its capabilities in the voluntary carbon market, RBC formed the Environmental Markets Solutions Group, consisting of professionals across RBC Capital Markets' sales and trading, advisory, structuring and sustainable finance platforms. Together, they support RBC's clients in the operationalization of their climate strategies. Specifically, the group provides advice and solutions to clients including:

- Carbon credit procurement and trading, aligning with the clients' business strategy and climate objectives
- Renewable energy procurement and trading, aligning with the clients' emissions reduction and/or renewable energy targets
- Financing for carbon credit projects
- Carbon-themed structured investment projects



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Additional metrics

In this section, we provide additional details on metrics recommended by industry standards and which we have previously disclosed, specifically outstanding financed emissions in line with the PCAF²⁰ standard and carbon-related assets identified in the TCFD Implementation Guidelines, in order to provide continued transparency on these metrics

PCAF financed emissions

In 2022, we reported on our PCAF²⁰ financed emissions from our lending for the three sectors for which we set Interim Targets. In 2023, we are also reporting on our PCAF financed emissions for the agriculture sector.

Changes in our PCAF financed emissions are mainly driven by changes in outstanding loan amounts, which is dependent on the timing of our clients' funding needs. Specifically for the increase in emissions for Scope 3 oil & gas, we observed more high emissions-intensive clients drew down on their loans in 2023 compared to low emissions-intensive clients. In addition, we have restated our 2022 and 2021 results for the oil & gas and power generation sectors to incorporate more up to date client reported emission data, and additional client reported data, which places less reliance on proxies as outlined in Measurement considerations for emissions from our lending on page 40.

Table 8: PCAF financed emissions by sector, for the year ended October 31

		Metric	2023	2022	2021	PCAF data score (2023) ⁶⁷
Energy	Oil & gas	Scope 1 & 2 (million tonnes of CO ₂ e)	2.8	2.9 ⁱ	2.3 ⁱ	2.9
		Scope 3 (million tonnes of CO ₂ e)	46.3	42.3 ⁱⁱ	n/a	4.4
	Power generation	Scope 1 & 2 (million tonnes of CO ₂ e)	1.5	1.3 ⁱⁱⁱ	1.3	4.2
Automotive	Scope 1 & 2 (million tonnes of CO ₂ e)	0.02	0.01	0.01	2.6	
	Scope 3 (million tonnes of CO ₂ e)	0.8	0.4	n/a	4.2	
Agriculture	Scope 1 & 2 (million tonnes of CO ₂ e)	1.4	n/a	n/a	4.0	

 Indicates higher levels of measurement uncertainty. See page 40 for additional details.

ⁱ We have restated our 2022 and 2021 comparative figures due to reasons stated on this page. The amount previously reported in million tonnes of CO₂e were: 2022 — 2.34 and 2021 — 1.91.

ⁱⁱ We have restated our 2022 comparative figure due to reasons stated on this page. The amount previously reported in million tonnes of CO₂e was 35.73.

ⁱⁱⁱ We have restated our 2022 comparative figure due to reasons stated on this page. The amount previously reported in million tonnes of CO₂e was 1.22.

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Additional metrics

Carbon-related assets

Carbon-related assets is one of the metrics that was recommended by the TCFD¹⁰ Implementation Guidelines and has been subsequently reported by banks for several years to provide a comparable climate-related metric for the financial sector. Carbon-related assets are those most impacted by the transition risks and physical risks of climate change (for more information on the types of climate-related risk, see page 31 in the Risk Management section). RBC measures carbon-related assets by selecting relevant industry classification codes (SIC codes) for the four sectors identified by the TCFD Implementation Guidelines published in October 2021. RBC's calculation of carbon-related assets includes those assets comprising borrowers within Energy (oil & gas, coal & electric utilities), Transportation (air, maritime, rail, trucking & automobiles), Materials & Buildings (metals & mining, chemicals, construction materials, capital goods, real estate management and development) and Agriculture, Food and Forest Products (beverages, agriculture, packaged food and meats, paper and forest products) sectors. In relation to electric utilities borrowers, as per the guidelines, we have excluded those whose business relates to renewables and hydro-electric power.

Table 9: Carbon related assets, as at October 31

Billions of Canadian dollars in credit exposure (except percentage amounts)

Performance metrics	Credit risk exposure ⁶⁸			Percentage of total credit risk exposure ⁶⁹		
	2023	2022	2021	2023	2022	2021
Total credit risk exposure	1,664.4	1,594.3	1,438.1	–	–	–
Total carbon-related assets	258.2	243.5	213.4	15.5%	15.3%	14.9%
Carbon-related assets by sectors						
Materials & buildings	162.1	149.5	125.9	9.7%	9.4%	8.8%
Energy ⁷⁰	40.0	43.9	42.7	2.4%	2.8%	3.0%
Transportation	29.2	25.6	21.3	1.8%	1.6%	1.5%
Agri, food & forest products	26.9	24.6	23.5	1.6%	1.5%	1.6%

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Methodology for select performance metrics

This section provides additional detail on the methodology used for measuring the bank’s performance on: A. Sustainable finance, B. Client transition plan assessment, C. Emissions from our lending and D. Emissions from operations.

A. Sustainable finance

In 2022, we published the first version of our Sustainable Finance Framework (the Framework), which defines our approach and methodology for classifying, tracking and disclosing our performance towards our Sustainable Finance Commitment.³ In our Sustainable Finance Framework, sustainable finance refers to financial activities that take into account environmental, social and governance factors.

For our sustainable finance reporting for the fiscal year 2023, we used the version of the [Sustainable Finance Framework published in October 2022](#). The updated version, published alongside the 2023 Climate Report in March 2024, will go into effect for reporting for fiscal year 2024. For details, see our [Sustainable Finance Framework](#) and page 12 of the Strategy section.

For reporting purposes, we present our sustainable finance activities by outcome category as shown in the table below:

Category	Definition
Green	Green refers to financing and other financial services that meet the criteria for classification as eligible green activities under the RBC Sustainable Finance Framework including Dedicated Purpose financing/financial services (e.g., green loan or bond) and General Corporate Purpose – Pure Play financing/financial services (e.g., a business whose revenue aligns with the eligible green activities). Please refer to the RBC Sustainable Finance Framework for additional information, including the definitions of Dedicated Purpose and General Corporate Purpose – Pure Play.
Social	Social represents transactions that meet the criteria for classification as eligible under the RBC Sustainable Finance Framework directed toward social objectives including dedicated purpose (e.g., eligible US municipal bonds) and General Corporate Purpose – Pure Play (e.g., affordable housing provider). Please refer to the RBC Sustainable Finance Framework for additional details.
Other green & social	Other Green & Social represents dedicated purpose products that are a mix of environmental and social objectives, such as Sustainability Bonds. Please refer to the RBC Sustainable Finance Framework for additional details.
Sustainability linked	Sustainability-linked represents transactions that meet the criteria for classification as eligible General Corporate Purpose – Sustainability-linked activities under the RBC Sustainable Finance Framework, including sustainability-linked loans and bonds. Please refer to the RBC Sustainable Finance Framework for additional details.

B. Client transition plan assessment

The assessment of client transition plans was conducted by RBC Capital Markets.

Clients assessed in a particular maturity band met all criteria for that band. If a client met most of the criteria for that band but not all, they were assessed to be in the lower band for which they met all criteria.

The assessment was based on public disclosures by clients and on written disclosures by clients to RBC. RBC relied on the accuracy of client disclosures when making its assessment.

The assessment was binary (‘yes’ or ‘no’) in nature and sought to determine whether the client had made a disclosure that would meet the assessment criteria. RBC did not assess the qualitative nature of the disclosure. For example, when assessing the criteria for whether the client had a policy to evaluate offset projects, the assessment team looked to confirm whether such a policy had been disclosed, rather than the qualitative nature of the policy.

The authorized lending amounts and the number of single names used to report percentages in the assessment results are as at October 31, 2023.

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Methodology for select performance metrics

C. Emissions from our lending

This methodology section describes how we calculate our metrics as well as the reporting boundaries and what scopes are included in each metric.

There are several commonly used metrics for target setting and measuring financed emissions. The metrics that RBC currently uses include financed emissions (using both authorized³³ and outstanding balances) and physical emissions intensity.

For financed emissions on an outstanding basis, we follow the guidance from PCAF. For measurement of our absolute financed emissions for the oil & gas sector, we have adapted the PCAF standard to use authorized credit for our financing amount instead of outstanding balances. For physical emissions intensity, we have aligned our methodological approach to be consistent with peers in the financial sector and preliminary guidance from groups such as the Net-Zero Banking Alliance (NZBA). We discuss each methodology in more detail below:

Financed emissions

PCAF provides guidance on how to measure financed emissions for different asset classes. The methodology alters slightly depending on each asset class. In RBC's **2021 Climate Report** we measured our financed emissions across all PCAF asset classes where there was a methodology at that point in time. Our current climate report focuses primarily on the business loan asset class and our methodologies reflect the guidance related to that asset class. As we expand our reporting capabilities in future disclosure, we intend to provide more detail on the approaches to measure financed emissions in other asset classes.

Financed emission formula for business loans

RBC calculates financed emissions for a business loan by multiplying the attribution factor by the emissions of the respective client:

$$\text{Financed emissions}_c = \text{Attribution factor}_c \times \text{Client emissions}_c$$

where c denotes an individual client.

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Attribution factor

To measure financed emissions, RBC accounts for a portion of the annual emissions of the financed client determined by the ratio between the institution's financing amount (numerator) and the value of the financed client (denominator). This is considered the attribution factor, and the calculation method varies slightly depending on if we are measuring a publicly listed or private client:

	Business loans for publicly listed clients	Business loans for private clients
Formula	$\text{Attribution Factor}_c = \frac{\text{Financing Amount}_c}{\text{Enterprise Value Including Cash}_c}$ <p>where c denotes an individual client.</p>	$\text{Attribution Factor}_c = \frac{\text{Financing Amount}_c}{\text{Total equity}_c + \text{Debt}_c}$ <p>where c denotes an individual client.</p>
Denominator	Enterprise Value Including Cash (EVIC) is defined as: the sum of the market capitalization of ordinary shares, the market capitalization of preferred shares, and the book values of total debt and minority interest. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values. EVIC can be calculated at fiscal year-end or at otherwise appropriate financial cycles such as fiscal quarters.	Total equity + total debt is defined as: the sum of the book values of total equity, total debt and minority interest. This can be calculated at fiscal year-end or at otherwise appropriate financial cycles such as fiscal quarters.
Numerator	Outstanding balances or authorized credit	Outstanding balances or authorized credit

Company emissions

To calculate company emissions, PCAF articulates three different options for business loans. The options are:

- Reported emissions:** When a client directly reports their emission data, via a company sustainability report or other publicly available disclosures, we source this data directly from our clients or from a third-party provider. While there are several third-party data providers available in the market, we leverage S&P Global as our primary data provider to source reported emissions.
- Physical activity-based emissions:** If directly reported emissions are unavailable, we estimate emissions using actual energy consumption (e.g., megawatt-hours of natural gas consumed) or production (e.g., tons of steel produced) data reported by clients.
- Economic activity-based emissions:** If neither directly reported emissions or energy consumption/production is available, PCAF recommends using official statistical data or acknowledged Environmentally Extended input-output (EEIO) tables. These data sources provide region- or sector-specific average emission factors⁵⁸ expressed per economic activity (e.g., tCO₂e/\$MM of revenue or tCO₂e/\$MM of assets). RBC leverages both the PCAF database and internally developed economic emission factors to estimate client emissions when physical activity or reported emission data is not available.

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Enhanced financed emissions measurements in Agriculture

To enhance the accuracy and quality of our financed emissions measurements, we have developed a methodology to estimate farm-specific emissions. This underpins the proof-of-concept greenhouse gas estimation tool and our new agriculture financed emissions estimations for dairy and grain & oilseed crops. The approach we have taken combines RBC's internal information with other data sources including geospatial imagery, provincial crop guides, government statistics, and academic publications.

Performance against our Interim Targets

Physical emissions intensity calculation

Formula

Physical emissions intensity measures a client's emissions per unit of production (e.g., the number of megawatt-hours or megajoules of energy produced). At a portfolio level, physical emissions intensity measures the exposure-weighted average of the physical emissions intensities of the clients in the portfolio. Clients who engage in lower carbon intensive activities (e.g., solar power generation) will have a lower physical emissions intensity than clients who engage in higher carbon intensive activities (e.g., coal power generation). The physical emissions intensity of an individual business loan is calculated by multiplying the attribution factor (details below) by the emissions intensity (emissions per unit of production) of the respective client. Therefore, the portfolio physical emissions intensity is calculated as follows:

$$\text{Portfolio physical emission intensity} = \sum_{\text{Clients}} \text{Attribution Factor}_c \times \frac{\text{Client Emissions}_c}{\text{Client Production}_c}$$

where c denotes an individual client.

Attribution factor

The attribution factor reflects our outstanding financing to a client relative to our total financing to all clients within the sector. This approach reflects the relative weight of our financing to a client within a sector-specific financial portfolio.

$$\text{Attribution Factor}_c = \frac{\text{Financing Amount}_c}{\text{Total Sector Financing}}$$

where c denotes an individual client.

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Approach to selecting sectors, sub-sectors and emission scopes

We take into consideration the following factors when selecting sectors and sub-sectors:

- The significance and relative contribution of Scope 1, 2 and 3 GHG emissions by sub-sector
- The authorized loan exposure for the sub-sector relative to our total lending commitments
- The reliability of available data
- The availability of decarbonization pathways and scenarios to reach net-zero by 2050

For selection of the scope of emissions, we focus on the following: significance of the scopes of emissions; industry guidance; and the influence of double counting emissions across the value chain.

Our emission and sub-sector boundaries may vary slightly depending on the metric. For each metric we have provided a breakdown of which sectors, sub-sectors and emission scopes are included below:

Table 10: Sub-sector boundaries for emissions from our lending metrics

Sector	Interim Targets	Difference in sub-sector coverage compared to our interim targets	
		Absolute financed emissions	PCAF financed emissions
Oil & gas	Upstream (Scope 1-3) Downstream (Scope 1-3) Integrated (Scope 1-3)	Midstream Scope 1 & 2 (Excludes downstream Scope 3) ⁱ	Midstream Scope 1-3
Power Generation	Electricity generation (Scope 1)	Do not report	Electricity generation (Scope 2)
Automotive	Light duty manufacturers (Scope 1-3) (only includes end use (“tank-to-wheel”) for Scope 3 emissions)	Do not report	Scope 3 upstream (“well-to-tank”)
Agriculture	Not applicable	Do not report	Grain & oilseed farming (Scope 1 & 2) Dairy farming (Scope 1 & 2) ⁱⁱ

ⁱ Scope 3 midstream and downstream have been excluded from absolute financed emissions for the oil & gas sector in order to avoid double counting of emissions. These emissions are accounted for within the value chain for upstream and integrated clients scope 3.

ⁱⁱ Includes emissions from feed production

D. Emissions from operations

RBC publicly reports multi-year data on absolute GHG emissions: Scope 1, Scope 2 (location-based) and Scope 3 (business travel), calculated according to the GHG Protocol.⁶¹

Scope 1 and 2 emissions data for buildings that we lease or own is sourced from our property management companies. Fuel purchased directly for travel is covered under Scope 1.

Scope 3 emissions for employee business travel is based on bookings through our third-party system and through travel agencies. It is aggregated and converted into emissions based on either fuel usage or distance conversion.

Emissions factors and grid mix data used are either sourced from publicly available government sources or from the International Energy Agency’s annual emissions factors data set. Data are representative of our properties in Canada, the United States, the United Kingdom, the British Channel Islands, Belgium, Switzerland, Germany, Spain, France, Ireland, Italy, the Netherlands, Luxembourg, Sweden, Hong Kong, China, Singapore, Japan, Australia, Malaysia, and the Caribbean.

Our energy reporting since 2018 represents 99% of our global floor area. The reporting cycle for our Scope 1 and Scope 2 energy data for buildings (natural gas, fuel oil, propane, chilled water, steam and electricity) is August 1 to July 31 to allow sufficient time for data collection, review and approval. The reporting for other sources of emissions remains November 1 to October 31.

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Organization	RBC's involvement
Sustainable finance and transition pathways	
Climate Action 100+	As a signatory to Climate Action 100+, RBC GAM participates in collaborative engagements to encourage companies to take actions to reduce GHG emissions, improve governance oversight of climate change and enhance climate-related disclosures.
Climate Engagement Canada	RBC GAM is a founding participant of Climate Engagement Canada, a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote an orderly and inclusive transition to a net-zero economy. This is a national, collaborative engagement program. A member of RBC GAM's Responsible Investment team is on the Technical Committee of Climate Engagement Canada.
Global Financial Markets Association (GFMA)	RBC Capital Markets has representation on the GFMA Board of Directors and was a contributing member to the GFMA's Climate Finance Markets and the Real Economy report published in 2020.
Institute for Sustainable Finance	RBC became a founding contributor in 2020 to support the first ever collaborative hub to advance Canada's sustainable finance capacity through education, training, and research.
International Capital Market Association (ICMA)	RBC Capital Markets is a member of ICMA and participates in several working groups, including the Climate Transition Finance Working Group. RBC is also a member of the Green Bond Principles, a voluntary, international framework administered by ICMA that seeks to support issuers in financing environmentally sound projects.
Principles for Responsible Investment (PRI)	RBC GAM is a signatory to the United Nations convened PRI. The PRI is a global network for investors committed to incorporating ESG considerations into their investment practices and ownership policies.
RMI's Center for Climate-Aligned Finance	RBC joined RMI as a strategic partner in 2021 to work collectively on sector-based solutions together with our clients and with other financial institutions to pursue a net-zero economy.
Sustainable Finance Action Council (SFAC)	The SFAC was launched in May 2021 to serve as a center of expertise, partnership and dialogue on sustainable finance issues in Canada and internationally, with an initial focus on climate-related financial disclosures and green and transition taxonomies. RBC is one of the participating organizations.
Climate disclosure, risk management and scenario analysis	
American Bankers Association (ABA)	ABA represents financial institutions of all asset sizes and charter types. RBC participates with ABA on its responses to regulatory proposals and advocacy initiatives relating to the operations of banks which may include discussions on climate-related standards.
Canadian Bankers Association (CBA)	RBC is a member of CBA and works with other members on industry best practices for climate-related issues and responses to proposals for climate-related standards and regulations, among other topics.
Carbon Disclosure Project (CDP)	RBC GAM is an investor member to the CDP, which runs the global disclosure system that enables entities to measure and manage their environmental impacts and strives to advance environmental disclosure. RBC has responded to the CDP questionnaire annually since 2003 to contribute climate-related data.
Institute of International Bankers (IIB)	The IIB represents international banks operating in the US. RBC participates with other IIB members to develop industry best practices and to respond to regulatory proposals on various issues affecting foreign banks operating in the US, including climate related standards and regulations.

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Organization	RBC's involvement
Net-Zero Banking Alliance (NZBA)	The NZBA is an industry-led, UN-convened global group of banks that are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. Joining the NZBA in 2021 reinforced RBC's commitment to playing a significant role in financing the climate transition, and supporting collaborative approaches between the public and private sectors to reach the goal of net-zero emissions by 2050. As part of the NZBA, RBC is also a member of the United Nations Environment Programme Finance Initiative (UNEP FI).
Partnership for Carbon Accounting Financials (PCAF)	RBC joined PCAF in 2021 and uses the PCAF methodology to advance the measurement of our indirect financed emissions associated with lending.
Risk Management Association (RMA)	RBC joined the RMA Climate Risk Consortium in 2022. The Consortium brings together financial institutions to create consistent guidelines and frameworks for climate risk management and engages with regulators and other key policy makers to help inform ongoing policy considerations specific to a changing climate.
Securities Industry and Financial Markets Association (SIFMA)	RBC is a member of SIFMA which is a leading US trade association representing broker-dealers, investment banks, and asset managers operating in the US and global capital markets. RBC participates with other SIFMA members to develop industry best practices and to respond to regulatory proposals on various issues affecting the securities industry, including climate related standards and regulations.
The Equator Principles	The Equator Principles are a voluntary, international framework for financial institutions to identify, assess and manage environmental and social risks associated with financing projects. RBC was the first Canadian bank to sign the Equator Principles in 2003, and we recommitted to the revised Principles in 2006, 2013 and 2020.
United Nations Environment Programme Finance Initiative (UNEP FI)	RBC is a member of UNEP FI and has participated in phases of work to advance climate scenario analysis related to physical and transition risks. The forum encourages consistent and comparable approaches to climate risk and other environmental topics among our global peers.
Net-zero operations	
Business Renewables Centre Canada (BRC)	RBC is a founding member of the BRC, a group for buyers to learn how to source renewable energy directly from project developers.
Canadian Council for Sustainable Aviation Fuels (C-SAF)	RBC Capital Markets is a member of the Canadian Council for Sustainable Aviation Fuels. C-SAF seeks to bring together key industry stakeholders and government to accelerate the commercial production and use of Canadian-made, low-carbon and sustainable aviation fuels in Canada.
International Emissions Trading Association (IETA)	IETA is a founding member of the Carbon Pricing Leadership Coalition, which works towards implementing carbon pricing around the world. RBC is a member through RBC Capital Markets' Environmental Market Solutions Group.

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Overview of RBC Europe Limited’s Management of Climate Risk

In 2023, RBC Europe Limited (RBC EL) continued to enhance its approach to measuring and reporting climate-related financial risks, in line with the requirements of the Prudential Regulation Authority’s (PRA’s) Supervisory Statement 3/19 (SS3/19) on Enhancing banks’ and insurers’ approaches to managing the financial risks from climate change, to disclose the financial risks from climate change, and continue to align with the Financial Stability Board’s TCFD recommendations and its objective to improve and increase the reporting of climate-related financial information. The PRA’s 2023 Priorities Letter stated that addressing financial risks arising from climate change remains a key priority.

The climate-related financial risk management and disclosure regulatory environment continues to evolve rapidly both in the United Kingdom (UK) and globally. RBC EL is monitoring emerging regulatory and legal disclosure requirements, in particular UK government initiatives, including the UK Sustainability Disclosure Standards, the UK Green Taxonomy, the UK Transition Plan Taskforce Disclosure Framework as well as global initiatives, including the sustainability reporting standards published by the International Sustainability Standards Board (ISSB) and the Basel Committee on Banking Supervision’s (BCBS) consultation on the disclosure of climate-related financial risks.

Governance

RBC EL’s governance structure for identifying and managing climate-related financial risks is set out below:

Climate Risk Reporting & Oversight	
Simplified Governance Structure	
RBC EL Board of Directors (RBC EL Board)	<p>ESG Update to the RBC EL Board: Receives quarterly information on ESG, including climate.</p> <p>UK Risk Committee of the RBC EL Board: Receives quarterly information on the management of climate financial risks. The Independent Non-Executive Directors of the RBC EL Board are members of the UK Risk Committee. UK Risk Committee meetings are typically attended by all Directors of the RBC EL Board.</p>
Executive Committees	<p>Capital Markets Executive Committee: Receives quarterly climate financial risk and broader ESG reporting before it is presented to the UK Risk Committee of the RBC EL Board. Receives quarterly information on ESG, including climate.</p> <p>Risk Executive Committee: Receives monthly climate-related reporting.</p>
Risk Management Committees	Various risk management committees are provided with monthly climate-related reporting to add a climate-focused perspective on their mandate.

In line with the PRA’s expectations for firms to allocate responsibility for identifying and managing financial risks from climate change to an existing Senior Management Function (SMF), RBC EL has designated this responsibility to the Chief Risk Officer (CRO) Europe who is responsible for overseeing climate-related financial risks for RBC EL. This SMF accountability is supported by a Climate Risk Management team within RBC EL which develops approaches to identify, assess, monitor, and report on climate-related risks, as appropriate. Other teams within RBC EL also support monitoring regulatory developments and reviewing RBC EL’s implementation of regulatory requirements.

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At the enterprise level, the RBC Climate Blueprint (Blueprint) sets out four strategic climate priorities alongside RBC's actions and commitments (see page 10). RBC EL supports the implementation of the Blueprint for RBC Capital Markets and Wealth Management business activities undertaken out of this legal entity by focusing on the following activities:⁷¹

Strategic Priority	Lines of Business	
	RBC Capital Markets	Wealth Management Europe
Help clients as they transition to net-zero	<ul style="list-style-type: none"> Contributing to the enterprise goal to facilitate \$500 billion in sustainable finance by 2025. Identifying commercial opportunities to support clients engaging in energy transition activities through a dedicated European-based Energy Transition Team. 	<ul style="list-style-type: none"> Continuing to advance investment capabilities to meet clients' climate-related needs, such as thematic investments related to the energy transition, exclusions, and portfolio emissions reporting. Offering products for clients to invest in that consider ESG issues, including climate change.
Hold ourselves accountable	<ul style="list-style-type: none"> Quantifying a risk appetite for climate financial risks specific to RBC EL. Assessing RBC Capital Markets' client transition plans in the energy sector as per the Client Engagement Approach on Climate (see page 14 for further details). 	<ul style="list-style-type: none"> Refining our approach to climate risk management based on evolving regulatory expectations.
Inform and inspire a sustainable future	<ul style="list-style-type: none"> Publishing European thought leadership and research on climate change and associated topics. Providing donations to UK community partners that are advancing innovative climate and nature solutions. 	
Advance net-zero leadership in our own operations	<ul style="list-style-type: none"> Leasing energy-efficient office space, where possible. Our London-based headquarters are certified as Building Research Establishment Environmental Assessment Methodology (BREEAM) excellent and our new RBC Brewin Dolphin office in Glasgow is certified as BREEAM excellent and Energy Performance Certificate (EPC)⁷² rating A. 	

Risk management

Risk appetite

RBC EL has quantified its risk appetite for climate-related financial risks. RBC EL's exposure to such risks is measured through a high-level composite risk appetite metric, which aggregates the performance of four equally weighted key risk indicators (KRIs) across the four pillars of climate risk outlined by the PRA. A summary of the underlying KRIs is presented in an illustrative example of the Climate Risk dashboard in Table 11. These KRIs are monitored monthly and reported to senior management on a quarterly basis. The KRIs include the monitoring of RBC EL's credit exposure to:

- clients operating in climate sensitive sectors which RBC EL has categorized as high-risk (high-risk climate sensitive sectors);⁷³
- clients operating in high-risk climate sensitive sectors without a transition plan;⁷⁴
- UK real estate with poor Energy Performance Certificate ratings (EPCs);⁷² and
- real estate located in flood zones. RBC EL reviews its climate-related financial risk appetite annually and will continue to enhance its methodology to take into account maturing climate risk data and analysis methodologies.

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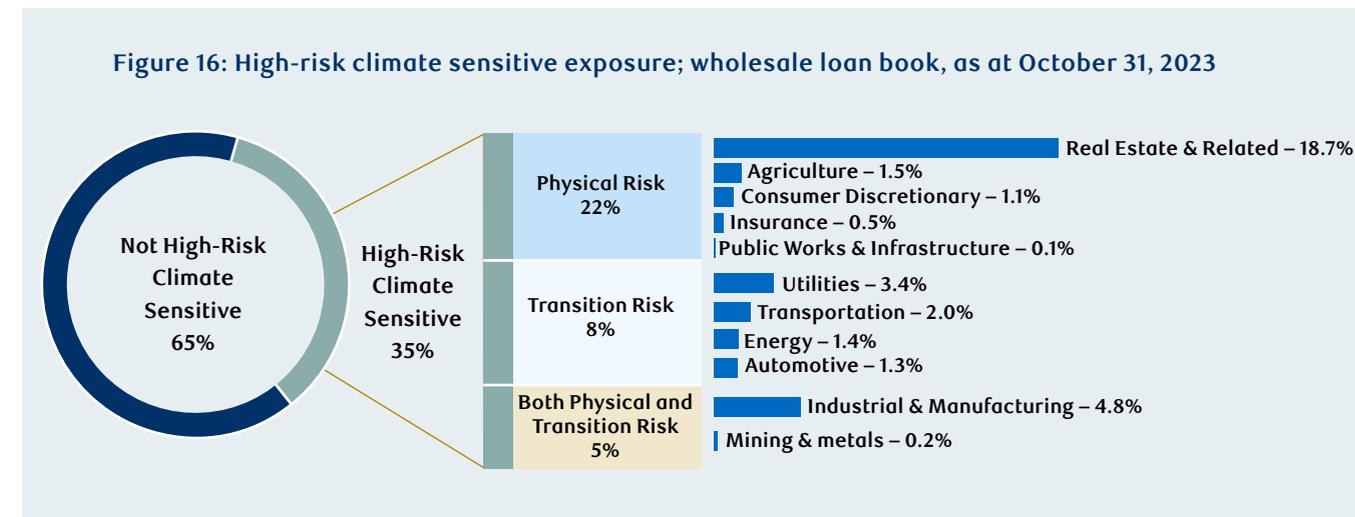


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Table 11: Summary of Climate Risk dashboard

Measure	Measure Description	Result ^{75, 76}
Risk Profile		
Risk appetite	Value of high risk climate-sensitive exposure Value of high risk climate-sensitive exposure (without transition plans) Concentration of real estate with F and G rated Energy Performance Certificates (EPCs) ⁷² Concentration of real estate within flood zones	Within Appetite
Short-term (~1-5 years)		
Greenwashing ⁷⁷ and non-financial climate transition risks	Operational risk review on RBC EL's businesses (as described below)	Low - Moderate Impact
Marketable securities decline scenario	Shortfall positions if pledged high risk climate sensitive securities reduce in value	Limited Impact
Energy crisis – market risk scenario	Value of stress loss against market risk appetite	Within Appetite
Physical risk flooding	Weather-driven assessment on RBC EL's premises Number and exposure value of real estate in flood zones	Limited Impact
Long-term (~10-30 years)		
Physical risk - flooding	Number and exposure value of real estate in flood zones	Limited impact
Transition risk	Value of expected loss by two referenced scenarios	Limited impact

Figure 16 provides an overview on RBC EL's high-risk climate-sensitive loan exposure, a KRI included in the risk appetite. This is a sector-based measure, which does not take into account the underlying clients' transition plans and climate sensitivity.



Emissions from RBC EL's lending

RBC's Interim Targets for lending in the oil & gas, power generation and automotive sectors and its performance against these Interim Targets, as outlined on page 41, are inclusive of the activities of RBC EL. RBC Capital Markets' objective is to help clients accelerate their transition plans and progress their standing within the transition readiness framework, as set out in the Client Engagement Approach on Climate, released in November 2023 (see page 14 for an overview).

Reporting

The UK Risk Committee of the RBC EL Board receives a quarterly report containing the Climate Risk dashboard, which reports on RBC EL's climate risk appetite, and any results of financial impacts of climate change from the scenario analysis performed during the quarter. An example is provided for illustrative purposes only in Table 11: Summary of Climate Risk dashboard.

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Scenario analysis

RBC EL's scenario analysis exercises in 2023 focused on RBC EL's most significant high-risk climate sensitive sectoral exposures in physical risk and transition risk, looking at both short-term and long-term scenarios. RBC EL's scenario analysis assessments are reported to the UK Risk Committee of the RBC EL Board (see Table 11: Summary of climate risk dashboard for an illustrative example) and form part of RBC EL's Internal Capital Adequacy Assessment Process (ICAAP).

Physical risk scenario analysis

- **RBC premises:** Based on 2023 scenario analysis, RBC EL has concluded that there is limited impact to RBC EL's London premises (100 Bishopsgate) from flooding, extreme heat, extreme precipitation, and subsidence in the short term.
- **Real estate portfolios:** RBC EL has also conducted short-term and long-term river (fluvial) flood risk analyses on RBC EL's credit exposure to real estate, which represents the most significant physical risk exposure. The methodology considers both current and future physical risk flooding impact with return periods of 1-in-100 and 1-in-200 along RCP 8.5⁷⁸ pathways from 2050 to the present and considers the effects of those shocks on loan to value ratios (LTV) for real estate. In the assessed portfolios, expected credit losses are limited.

Greenwashing & transition risk scenario analysis

- **Energy crisis market risk scenario:** RBC EL conducts ongoing market risk stress monitoring, which considers several scenarios, including a scenario that models risks associated with a potential transition pathway to a low-carbon economy. Stress scenario losses remain within risk appetite.⁷⁹

- **Marketable securities Wealth Management credit risk scenario:** In 2023, RBC EL conducted a stress test on wealth management credit, assessing the impact of high-climate sensitive securities pledged as collateral experienced a significant loss in value. Short fall positions were considered, and the risk was deemed limited, primarily due to the high diversification of the portfolios pledged as collateral.
- **Transition risk – wholesale loans:** In 2023, the transition risk scenario analysis was performed for high-risk climate sensitive sectors, including Automotive, Energy, Utilities, Industrial Products, Mining & Metals, and Transportation. The long-term scenario analysis (e.g., 30 years) aligns with the 2021 Bank of Canada (BoC) and OSFI pilot project model and BoC transition scenarios (for more details of that project, please refer to page 38 of RBC's 2021 TCFD Report). Overall, expected credit losses for RBC EL are limited. Due to the complexity of climate change, the hypothetical nature of transition pathways and continued evolution of scenario analysis tools, this type of model has inherent uncertainty. RBC EL recognizes that this type of analysis helps develop a preliminary view of the potential magnitude of climate transition risk on the bank's wholesale loan portfolio, and how sector-level assessment changes year over year.
- **Greenwashing, non-financial climate transition risk review and operational risk scenario:** In 2022, RBC EL conducted an operational risk review of those of its business lines which self-identified as marketing a product or service taking into consideration environmental factors, to evaluate hypothetical exposure to greenwashing in relation to such products or services. In 2023, businesses were reengaged, and it was confirmed that there has not been a significant change in the inherent risk profile of the businesses. RBC EL considered possible reputation impacts and litigation costs through a suitability scenario and concluded that the risk was low to moderate.

Table 12 – Climate Risk Sensitive Exposure; Wholesale Loan Book

	Physical Risk	Greenwashing and Non-Financial Risk	Transition Risk
Short-Term (1-5 Years)	<ul style="list-style-type: none"> ■ RBC premises physical risk assessment ■ Flood scenario analysis on real estate portfolios 	<ul style="list-style-type: none"> ■ Greenwashing and non-financial risk review 	<ul style="list-style-type: none"> ■ Energy crisis market risk scenario ■ Marketable securities Wealth Management credit risk scenario ■ Operational risk scenario
Long-Term (10-30 Years)		N/A	<ul style="list-style-type: none"> ■ Transition scenario analysis on automotive, energy, utilities, and transportation portfolios

Disclosure

RBC EL is committed to providing annual disclosures on its progress toward understanding and assessing the financial impacts of climate change on its operations and balance sheet. RBC EL has done so through its public disclosures including RBC's 2023 Climate Report, RBC EL's 2023 Annual Accounts, and its 2023 Pillar 3 disclosures, and also through its 2023 ICAAP submitted to the UK PRA.

Further Developments

RBC EL continues to advance its understanding of climate-related financial risks. Examples of areas of interest include measuring RBC EL's loan exposure to industries more susceptible to extreme heat risk, expanding analysis of real estate exposure for physical risks, and measuring wholesale loan exposure to industries with high dependency and impact on nature and biodiversity, as per guidance from the Task Force for Nature Related Financial Disclosures.

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Voluntary Carbon Markets Disclosures

From time to time, Royal Bank of Canada and its subsidiaries (RBC, we, us or our) make statements relating to climate-related objectives, vision, ambitions, commitments, goals, metrics and targets, as well as progress towards meeting such objectives, vision, ambitions, commitments, goals, metrics and targets. In addition, in the ordinary course of business, RBC Capital Markets engages in market-making activities in voluntary carbon credits. In connection with these statements and activities, RBC may be deemed to make claims and engage in activities subject to the disclosure requirements under the California Voluntary Carbon Markets Disclosure Act (California Health and Safety Code, Division 26, Part 10) (the VCMDA). The information on this page is provided solely to comply with the VCMDA and for no other purpose. By including this information in this Report, RBC is not conceding that any specific item is required to be disclosed nor waiving any arguments about the interpretation of the VCMDA. This information is subject to change without notice.

RBC's Climate-Related Disclosures

Information regarding our climate-related objectives, vision, ambitions, commitments, goals, metrics and targets, including but not limited to: (1) our 2030 interim emissions reduction targets for lending in the oil & gas, power generation and automotive sectors and our ultimate goal of achieving net-zero emissions in our lending by 2050; (2) our commitment to facilitate \$500 billion in sustainable finance by 2025; and (3) our commitment to maintain carbon neutrality in our global operations with a decreasing reliance on credits annually, as well as our progress towards meeting such objectives, vision, ambitions, commitments, goals, metrics and targets, can be found in our ESG reports and statements available at our [ESG Reporting](#) site.

PwC has performed a limited assurance engagement for a select number of our climate metrics. You can read more about the scope of PwC's work, including the metrics in scope, in our [2023 ESG Progress Report](#) on pages 135-136.

RBC Capital Markets' Voluntary Carbon Credits Trading Business

In the ordinary course of business, RBC Capital Markets engages in market-making activities in voluntary carbon credits. The voluntary carbon credits in which RBC Capital Markets makes market are certified by carbon credit registries, including Verra, American Carbon Registry, Climate Action Reserve and Gold Standard. Carbon registries have their own established standards, verification requirements and monitoring protocols for voluntary carbon credit projects certified thereby. Voluntary carbon credits are assigned serial numbers by the applicable registry, which has established standards, documentation, third-party verification requirements, and monitoring protocols for the relevant project. Each registry maintains a publicly disclosed ledger and other information with project details associated with the voluntary carbon credit on its website, including relevant information (as applicable) regarding:

- protocols, location, timelines, project type, conformance to existing standards, durability, existence of verification and annual emissions reduced or carbon removed;
- accountability measures for projects that are not completed or do not meet projected reductions or removals, which may include cancellation of credits from buffer pools, requiring project proponents to provide compensation through retirement of credits and other remedies; and
- data and methods needed to independently reproduce and verify the number of reduction or removal credits issued by the project.

For details regarding the voluntary carbon credit projects on the carbon credit registries, please refer to the carbon offset registries' respective websites.

Voluntary carbon credits marketed, sold or purchased by RBC Capital Markets in connection with its ordinary course market-making activities are unrelated to our commitment to maintain carbon neutrality in our operations noted above.

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- 1 Solutions for a greener economy refers to approaches, processes, technology, products and services that advance the transition to a greener economy. Solutions for a greener economy are outlined in our Sustainable Finance Framework as eligible green activities. RBC does not provide these solutions. These solutions are created and scaled by others, such as our clients.
- 2 Green finance refers to financing and other financial services that meet the criteria for classification as eligible green activities under the RBC Sustainable Finance Framework including Dedicated Purpose financing/financial services (e.g., green loan or bond) and General Corporate Purpose – Pure Play financing/financial services (e.g., a business whose revenue aligns with the eligible green activities). Please refer to the RBC Sustainable Finance Framework for additional information, including the definitions of Dedicated Purpose and General Corporate Purpose – Pure Play.
- 3 In April 2019, RBC announced a commitment to facilitate \$100 billion in sustainable finance by 2025. After two years, we surpassed that goal and in 2021, we increased our commitment to facilitate \$500 billion in sustainable finance by 2025. Sustainable finance refers to financial activities that take into account environmental, social and governance (ESG) factors and the transactions which are eligible to count towards our commitment are outlined in the RBC Sustainable Finance Framework. The measurement of our sustainable finance activities under the RBC Sustainable Finance Framework currently excludes the practices of RBC GAM, RBC WM and City National Bank. See [RBC's Commitment to Sustainable Finance](#) for more information.
- 4 Measurement of our absolute financed emissions on an authorized basis for the oil & gas sector is based on assumptions, estimates and judgement believed to be reasonable at the time of the measurement. Each of these is subject to inherent risks and uncertainties and may be inaccurate, resulting in disclosed measurements subsequently being determined to have been inaccurate. A number of factors – many of which are beyond our control and the effects of which can be difficult to predict – could affect the amount of our absolute financed emissions for the oil & gas sector in a period, and there can be no assurance that actions we take to bring down our absolute financed emissions for the oil & gas sector over time will result in the reductions we aspire to. These factors include: clients' progress towards their own stated emission reduction targets, changes in the borrowers' enterprise value driven by various factors including market capitalization, availability of client emission data (including issues associated with data lags), and changes in emissions estimates driven by changes in data quality. For more details on data considerations, limitations and restatements, see page 40. For future reporting periods, we intend to review methodological enhancements on an ongoing basis, and, when deemed appropriate, to update our measurement methodologies to enhance the comparability of this metric over time. For more details on what is included in our oil & gas absolute financed emissions see Appendix pages 51-54. See also Caution regarding forward-looking statements and Important notice regarding this Report on pages 67 and 68.
- 5 RBC procures renewable electricity through long-term power purchase agreements (PPAs) and other sources of renewable energy certificates (RECs). For more information about PPAs and RECs, refer to endnotes 16 and 44 respectively.
- 6 Our low-carbon energy lending goal and exposures are measured on an authorized lending basis, to reflect our total lending commitment. Low-carbon energy activities include the construction, development, operation, acquisition, maintenance and connection of: renewable energy sources (e.g., solar, wind), other low-carbon energy sources (e.g., nuclear and hydrogen) as well as electricity transmission and distribution systems, energy storage devices (e.g., batteries) and efficiency improvements (e.g., smart grids). For details on the eligibility criteria refer to our [Sustainable Finance Framework](#). For power generation clients in Capital Markets that have more than one energy source, authorized lending exposure is allocated on a pro-rata basis as a share of generation type based on revenue or an available proxy.
- 7 For purposes of identifying and tracking investment commitments eligible to count towards this goal and disclosing our progress towards this goal, climate solutions are intended to include products and services that help mitigate the impacts of climate change and/or support the transition to net-zero. While our approach may evolve over time, we intend to prioritize allocating capital toward solutions that will lead to GHG emissions reductions in Canada and globally. Our investment commitments eligible to count towards this goal may also include support for solutions with outcomes linked to biodiversity, nature and/or adaptation, such as those described in RBC's Sustainable Finance Framework, among others. We aspire to achieve this goal by 2030; however, market conditions, among other factors—many of which are beyond our control and the effects of which can be difficult to predict—could impact our ability to invest capital to advance climate solutions over this timeframe. See Caution regarding forward-looking statements and Important notice regarding this Report on pages 67 and 68. For purposes of tracking progress towards this goal, our eligible investment commitments made from fiscal 2022 onward are included (see page 37).
- 8 The definition refers to the newly established category of decarbonization activities in the Sustainable Finance Framework, which details eligibility criteria for decarbonization activities that are eligible to count towards our commitment to facilitate \$500 billion in sustainable finance, including financing and other financial services provided to a client who has a transition plan that meets the eligibility criteria set out by the Sustainable Finance Framework or is assessed as “Emerging” or higher under the transition readiness framework for the sector. For more information refer to the [Sustainable Finance Framework](#).
- 9 For details, see [Client Engagement Approach on Climate – Energy Sector](#).





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- 10 Task Force on Climate-related Financial Disclosures (TCFD). The TCFD developed a framework to help organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes. The recommendations are structured around four thematic areas that represent core elements of how organizations operate: Governance, Strategy, Risk Management, and Metrics and Targets. For more information, see [Implementing the Recommendations of the TCFD \(October 2021\)](#).
- 11 [GFANZ, Final Report, Financial Institution Net-zero Transition Plans \(November 2022\)](#).
- 12 RBC's commitments to achieving net-zero emissions in our lending by 2050 and to our initial 2030 interim emissions reduction targets for lending in three key sectors, oil & gas, power generation and automotive are not inclusive of the activities of and the assets under management or administration by RBC Global Asset Management (RBC GAM) and RBC Wealth Management (RBC WM). RBC GAM includes the following wholly owned indirect subsidiaries of the Bank: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited and RBC Global Asset Management (Asia) Limited. RBC WM includes, but is not limited to, the following affiliates: (a) RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund), RBC Direct Investing Inc. (Member–Canadian Investor Protection Fund), Royal Mutual Funds Inc., RBC Wealth Management Financial Services Inc., Royal Trust Corporation of Canada and The Royal Trust Company, which are separate but affiliated subsidiaries of the bank; and (b) Brewin Dolphin Holdings PLC and its subsidiaries. See RBC's [2022 Net-Zero Report](#) for more information on our initial 2030 interim emissions reductions targets.
- 13 Inclusive of our global operations, Scope 1, 2 (market-based) and 3 (business travel) reported GHG emissions, using a baseline of 2018. See endnote 59 for details on market-based emissions.
- 14 Renewable electricity is defined as energy produced from renewable sources such as hydroelectricity, wind and solar. Non-emitting sources include nuclear power generation. The performance towards our goal to achieve 100% renewable and non-emitting electricity consumption by 2025 is calculated based on grid mix data and the Renewable Energy Credits we either purchase from third-parties or receive from our two renewable energy Power Purchasing Agreements (PPAs). A PPA is a long-term financial agreement between a renewable energy buyer and a renewable energy seller where the buyer guarantees the seller a fixed price for renewable energy from the project.
- 15 Offering to primarily fund renewable energy and green buildings. Details are included in this [announcement](#).
- 16 A Power Purchase Agreement (PPA) is a long-term financial agreement between a renewable energy buyer and a renewable energy seller where the buyer guarantees the seller a fixed price for renewable energy from the project. Entering into a PPA before the project is finalized helps the energy seller secure financing and supports the growth of renewable energy projects.
- 17 See [RBC's Policy Guidelines for Sensitive Sectors and Activities](#) which address our lending activities.
- 18 In joining the Net-Zero Banking Alliance (NZBA), member banks commit to transition operational and attributable GHG emissions from high-emitting sectors in their lending and investment portfolios to align with pathways to net-zero by mid-century, or sooner. Please see the [NZBA](#) website for more details.
- 19 Proceeds to finance or refinance a portfolio of assets that align to the eligible green activities in the RBC Sustainable Bond Framework. Details are included in this [announcement](#).
- 20 The Partnership for Carbon Accounting Financials is an industry-led partnership to facilitate transparency and enable financial institutions to assess and disclose greenhouse gas emissions of loans and investments. RBC uses the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF Standard) to calculate financed emissions for lending activities.
- 21 Starting in 2019, RBC Tech for Nature™ is RBC's 5 year, \$100 million commitment, to support solutions to pressing environmental challenges. The commitment is funded by RBC and RBC Foundation. See [RBC Tech for Nature](#) for more information.
- 22 As defined by the [UNEP-FI Guidelines for Climate Target Setting for Banks](#). In our 2021 TCFD Report, we committed to setting interim targets for three high-emitting sectors: oil & gas, power and utilities and automotive and transportation. At RBC, we classify sectors based on our internal standard industry classification (SIC) codes. These SIC codes do not directly align with NZBA-defined sectors (e.g., midstream oil and gas SIC codes are classified under our utilities sector group). We have regrouped these SIC codes to better align with NZBA sector classifications, and reported our interim emissions reduction targets on oil & gas, power generation and automotive sectors. As we progress along our net-zero journey, which includes setting additional interim emissions reduction targets, we intend to continue our efforts to obtain this information from other sectors and clients as part of meeting our broader commitments under the NZBA.
- 23 The [UNEP-FI Guidelines for Climate Target Setting for Banks](#) state that banks shall review their targets every five years.
- 24 We note that stakeholder expectations and standards regarding the definition of net-zero continue to evolve. As a result, our net-zero operations strategy will need to continue to evolve as accepted standards develop in this area, and we intend to update our disclosures to reflect changes in our practices.





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- 25 This is reflected in the initial estimate of emissions from RBC's lending activities for fiscal 2021 as determined based on guidance from the PCAF Standard. See pages 24 and 25 of RBC's 2021 TCFD Report.
- 26 Responsible investment is an umbrella term used to describe a broad range of approaches for incorporating ESG considerations into the investment process. These approaches are not mutually exclusive; multiple approaches can be applied simultaneously within the investment process. The approaches include: ESG integration, ESG screening & exclusion, and thematic ESG investing.
- 27 Social finance represents transactions that meet the criteria for classification as eligible under the [RBC Sustainable Finance Framework](#) directed toward social objectives including dedicated purpose (e.g., eligible US municipal bonds) and General Corporate Purpose – Pure Play (e.g., affordable housing provider). Please refer to the RBC Sustainable Finance Framework for additional details.
- 28 For our spotlight on social financing, refer to page 80 of the [2023 ESG Progress Report](#).
- 29 Other green & social represents dedicated purpose products that are a mix of environmental and social objectives, such as Sustainability Bonds. Please refer to the [RBC Sustainable Finance Framework](#) for additional details.
- 30 Sustainability-linked represents transactions that meet the criteria for classification as eligible General Corporate Purpose – Sustainability-linked activities under the [RBC Sustainable Finance Framework](#), including sustainability-linked loans and bonds. Please refer to the RBC Sustainable Finance Framework for additional details.
- 31 In 2023, RBC Capital Markets clients in key high-emitting sectors representing 88% of the available loan balances reported their Scope 1 and 2 emissions to RBC, and clients representing 69% of the available loan balances disclosed a plan to reduce GHG emissions to RBC relative to our goals of 80% and 65%, respectively. As a result we have achieved the goals set in 2022 and these have been replaced with the Client Engagement Approach on Climate for the energy sector. The total available loan balances is defined as the aggregate loan amounts made to clients in key high-emitting sectors in oil & gas, power & utilities, and automotive & transportation portfolios in our Capital Markets business.
- 32 The Client Engagement Approach on Climate and results described refer to RBC Capital Markets clients in the energy sector that fall within RBC's Interim Targets for the oil & gas and power generation sectors. The Client Engagement Approach on Climate excludes clients whose business is exclusively in renewable or nuclear energy. However, such businesses are within the scope of the Interim Target for the power generation sector.
- 33 Exposure is defined as lending on an authorized basis as at October 31, 2023. Authorized exposures, or exposures measured on an authorized basis, reflects our total lending commitment. We refer to authorized exposures because it is a more stable data point than outstanding loan balances, which fluctuate with amounts drawn.
- 34 Plans that articulate the client's overall approach to the transition to net-zero, including objectives, targets, actions, progress and accountability mechanisms. Details of criteria met by a plan assessed in a particular maturity band can be found in the [Client Engagement Approach on Climate – Energy Sector](#)
- 35 2% of oil & gas sector exposure is to clients with 1.5°C aligned transition plans; however these clients do not qualify as Advanced because this category requires clients to have both 1.5°C aligned transition plans and meet some of the highest standards for transition plans in the sector. For details, see [Client Engagement Approach on Climate – Energy Sector](#).
- 36 RBC Capital Markets clients only as described in the Client Engagement Approach on Climate. Figures may not add to exactly 100% due to rounding.
- 37 As per the RBC Sustainable Finance Framework, the General Corporate Purpose – Pure Play category includes entities whose core business comprises eligible green, decarbonization and/or social activities. In context of power generation clients, this includes eligible green and/or decarbonization activities.
- 38 Clients whose business is exclusively in renewable or nuclear energy are out of scope of the Client Engagement Approach on Climate, even though they are within scope of the interim target for the power generation sector. This is because these clients have businesses that are assumed to already be significantly aligned with a net-zero future and do not require engagement regarding their transition plans.
- 39 Sustainable agriculture practices refer to agriculture practices with a lower environmental impact, as included in the [Sustainable Finance Framework](#) under eligible green activities.
- 40 Clean transportation includes the construction, development, operation, acquisition and maintenance of zero or low tailpipe emissions transportation assets. For details refer to our Sustainable Finance Framework.
- 41 Total number of loans to finance electric vehicles through RBC's relationships with its Original Equipment Manufacturer partners operating exclusively in the EV space.
- 42 According to the [RBC Climate Action Institute](#), EV sales in Canada have more than tripled since 2019.
- 43 Opt-in and receive a refund on your electric vehicle charging at Petro-Canada EV locations by paying using your eligible linked RBC card until August 31, 2024.
- 44 A renewable energy certificate (REC) is a market-based instrument that is issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy source.





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- 45 The [GHG Protocol Corporate Accounting and Reporting Standard](#) defines carbon credits as discrete GHG reductions used to compensate for (i.e., credit) GHG emissions elsewhere. Credits are calculated relative to a baseline that represents a hypothetical scenario for what emissions would have been in the absence of the mitigation project that generates the credits.
- 46 Excludes the CEO and Group Head, RBC Capital Markets, who participates in the Capital Markets Compensation Program. Refer to pages 73 to 74 of the 2024 Proxy Circular for a discussion of how ESG factors are incorporated into the Capital Markets Compensation Program.
- 47 Transition risks are risks related to the global transition to a net-zero economy, including policy and legal, technology, market, and reputation risks. For more information, see [Implementing the Recommendations of the TCFD \(October 2021\)](#)
- 48 Physical risks are the chronic and acute risks related to the physical impacts of climate change. Chronic refers to long-term changes in climate patterns (e.g., higher temperatures, increased precipitation) and acute refers to extreme weather events (e.g., increased intensity and frequency of storms). For more information, see [Implementing the Recommendations of the TCFD \(October 2021\)](#).
- 49 The E&S Risk Policy is not inclusive of the activities of, and assets under management or administration by, RBC Global Asset Management (RBC GAM). RBC GAM has developed its own policy with respect to these matters. RBC GAM includes the following wholly owned indirect subsidiaries of the Bank: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited and RBC Global Asset Management (Asia) Limited.
- 50 Lending to Capital Markets funds and select investment-related clients are excluded from the updated due diligence process.
- 51 The Equator Principles are a financial industry benchmark for determining, assessing and managing environmental and social risk in projects. RBC was the first Canadian bank to sign the Equator Principles in 2003, and we recommitted to the revised Principles in 2006, 2013, and 2020.
- 52 RBC's Climate Risk Management Approach applies across all businesses and functional units in all of RBC's legal entities and subsidiaries with the exception of RBC GAM.
- 53 Our principal risks include credit, market, liquidity, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive, and systemic risks. Insurance is a principal risk impacted by climate risk. Physical climate risks would primarily impact property and casualty products, and have secondary impacts on morbidity, mortality, and travel risks. However, as RBC is not in the property and casualty insurance business, insurance risk is mitigated and not listed in Figure 9.
- 54 RBC's enterprise-wide stress tests (EWST) evaluate key balance sheet, income statement, leverage, capital, and liquidity impacts arising from risk exposures and changes in earnings to understand our performance drivers under stress. See page 69 in our [2023 Annual Report](#) for more information on our EWST program.
- 55 Comprehensive Capital Analysis and Review (CCAR) is a regulatory stress test required by the U.S. Federal Reserve.
- 56 Please refer to the "Caution regarding forward-looking statements" for examples of such external factors. Our climate- or sustainable finance-related commitments, goals and targets (including our net-zero related commitments, goals and targets and our interim targets) are aspirational and may need to be restated, changed or recalibrated as available data improve and as climate science, transition pathways and market practices regarding standards, methodologies, metrics and measurements evolve.
- 57 For details on social finance, refer to page 16 of the [2023 ESG Progress Report](#).
- 58 Emission factors are a way to estimate the emissions of our clients. We use both internally developed and external emission factors that are generally developed using a variety of third party data sources and provide sector averages to estimate financed emissions for clients who do not report publicly or to RBC.
- 59 Under the GHG Protocol, there are two methods to calculate Scope 2 emissions from electricity: location-based and market-based. The GHG Protocol Scope 2 Guidance defines the market-based method as a method for Scope 2 emissions accounting that reflects emissions from electricity that a reporting company has purposely chosen (or their lack of choice). In the market-based method, emissions factors are derived from contractual instruments, including "any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims." As such, to calculate the market-based Scope 2 emissions, our non-renewable indirect energy consumed (measured in MWh) is matched with RECs sourced from within the same region and the emissions measurement is adjusted based on the emissions factor for the RECs sourced. For more information about RECs, refer to endnote 44.
- 60 Calculated as the 2018 Scope 2 location-based emissions divided by the 2018 total location-based emissions, as set out in Table 7.
- 61 The Greenhouse Gas Protocol (GHG Protocol) is the leading global corporate standard for measuring and managing GHG emissions. To guide companies in the task of identifying and calculating the emissions they create and contribute to across the value chain, the [GHG Protocol Corporate Accounting and Reporting Standard](#) breaks emissions down into three Scopes. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions not included in Scope 2 that occur in the value chain of the reporting company, including both





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upstream and downstream emissions. The GHG Protocol further breaks down Scope 3 indirect emissions into 15 categories. RBC measures our Scope 3 emissions related to business travel (category 6) as part of our operational emission calculations. In 2021, we also began measuring and reporting on our Scope 3 emissions related to loans and investments (category 15), also referred to as financed emissions for the first time.

- 62 Under Scope 3, RBC reports the emissions resulting from employees' business travel calculated according to Category 6 of the GHG Protocol. Scope 3 emissions for employee business travel is based on bookings through our third-party system and through travel agencies. It is aggregated and converted into emissions based on either fuel usage or distance conversion. Emissions factors used are sourced from publicly available government sources. Data are representative of all RBC Scope 3 employee business travel globally. The reporting cycle for Scope 3 emissions remains November 1 to October 31.
- 63 GHG emissions intensity from energy use is calculated using Scope 1 (e.g., natural gas, steam) and Scope 2 (e.g., electricity) market-based emissions from energy use divided by total floor area for our global operations.
- 64 Carbon credit registries develop standardized protocols for project registration in order to issue carbon credits, track credits in the marketplace, and help ensure that the environmental benefits associated with the carbon credits are not being allocated to multiple entities. Carbon registries have their own established standards, verification requirements and monitoring protocols for projects to help ensure that carbon credits have been verified and meet requirements.
- 65 The greenhouse gas (GHG) emission reductions or removals from the mitigation activity shall be additional, i.e., they would not have occurred in the absence of the incentive created by carbon credit revenues.
- 66 The GHG emission reductions or removals from the mitigation activity shall be permanent or, where there is a risk of reversal, there shall be measures in place to address those risks and compensate reversals.
- 67 PCAF data scores indicate varying levels of data accuracy. The five data quality scores range from 1 (more certain) to 5 (less certain). When Scope 1 and 2 have different data quality scores we assign the lower PCAF data quality score to the measurement. PCAF data quality scores may fluctuate year-over-year as they are a weighted average of client emissions data quality and can shift with the relative outstanding balances for each client in a given year.
- 68 Credit risk exposure is calculated as the amounts that present credit risk exposures under the Committee on Banking Supervision (Basel) defined classes and reflects exposures at default as defined under the Basel regulation. The classification of our

sectors aligns with our view of credit risk by industry. These amounts represent our total on- and off-balance sheet credit risk exposure for each sector as at October 31 of the relevant year, and excludes counterparty credit risk.

- 69 This represents our credit risk exposure to carbon-related assets as a percentage of our total credit risk exposure.
- 70 Includes oil & gas, coal & electric utilities. In relation to electric utilities borrowers, as per the TCFD Implementation Guidelines, we have excluded those whose business relates to renewables and hydro-electric power in our measurement of carbon-related assets.
- 71 Note RBC GAM publishes a separate Climate Report.
- 72 In the UK, Energy Performance Certificates (EPCs) give a property an energy efficiency rating on a standardized basis from A (most efficient) to G (least efficient). EPCs are used as a proxy for transition risk recommended by the FCA's Climate Financial Risk Forum (CFRF) guides.
- 73 RBC EL has developed an in-house methodology to define high-risk climate sensitive sectors based on the priority sectors highlighted by the TCFD and NZBA, further refined to reflect UK and European clients.
- 74 RBC EL has defined transition plan as a public commitment to reach net-zero by 2050.
- 75 Results indicated as Appetite are included in an RBC EL risk appetite metrics. Results indicated as Impact are included in annual RBC EL stress testing and scenario analysis.
- 76 Results are based on an assessment of risk determined by RBC EL using an internally defined proprietary approach, and are shared with the PRA.
- 77 Greenwashing generally refers to claims that false or misleading information 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.
- 78 The Intergovernmental Panel on Climate Change has developed Representative Concentration Pathways (RCP) scenarios which project different levels of GHG emissions which can then be leveraged to generate climate projections. RCP 8.5 is the highest GHG concentration resulting in the highest temperature projections and most pronounced effects of climate change.
- 79 Market risk losses arise from a change in the value of trading inventory under market stress.

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From time to time, Royal Bank of Canada and its subsidiaries (referred to as RBC, we, us, our or the bank) make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in this 2023 Climate Report (Climate Report), in other filings with Canadian regulators or the U.S. Securities and Exchange Commission (SEC), in other reports to shareholders and in other communications. In addition, our representatives may communicate forward looking statements orally to analysts, investors, the media and others. Forward-looking statements in this Climate Report include, but are not limited to, statements relating to our economic, environmental (including climate), social and governance-related objectives, vision, ambitions, commitments, goals, metrics and targets (including our initial 2030 interim financed emissions reduction targets (interim targets) and our ultimate goal of achieving net-zero in our lending by 2050, our commitment to help our clients as they transition to net-zero, our commitment to advance net-zero leadership in our own operations), and our commitment to take action to bring down our absolute financed emissions for the oil & gas sector over time, our recognition that achieving our interim targets, any of our future emission reduction targets and our ultimate goal of achieving net-zero in our lending by 2050 will depend on the collective efforts and actions across a wide range of stakeholders outside of our control, our recognition that our climate-related commitments, goals and targets, as well as the disclosures of our progress against such commitments, goals and targets and of other emissions metrics, may need to be restated, changed or recalibrated in the future, our beliefs about future data availability and quality, our belief that our annual purchase of carbon credits provides valuable support for decarbonization technologies and projects, the causes and impacts of climate change globally, including our economies and communities in which RBC and our clients operate, our strategies to identify, mitigate and adapt to climate-related risks and our approach to climate-related opportunities. The forward-looking information contained in this Climate Report is presented for the purpose of assisting our stakeholders in understanding the ways we intend to address climate-related governance, strategy, risks, opportunities, metrics and targets and may not be appropriate for other purposes.

Forward-looking statements are typically identified by words such as “believe”, “expect”, “expectation”, “aim”, “achieve”, “suggest”, “seek”, “foresee”, “forecast”, “schedule”, “anticipate”, “intend”, “estimate”, “commit”, “goal”, “plan”, “strive”, “objective”, “target”, “outlook”, “timeline” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could”, “can” or “would” or negative or grammatical variations thereof.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature, 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, that our environmental and social or other objectives, vision, ambitions, commitments, goals, targets and metrics, and strategic goals will not be achieved and that our actual results may differ materially from such predictions, forecasts, projections, expectations or conclusions. Moreover, many of the assumptions, standards, metrics and measurements used in preparing this Climate Report 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 our forward-looking 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: the need for more and better climate data and standardization of climate-related measurement methodologies, climate-related conditions and weather events, the need for active and continuing participation and action of various stakeholders (including governmental and non-governmental organizations, other financial institutions, businesses and individuals), technological advancements, the evolution of consumer behaviour, evolving social views on ESG-related topics, varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, the challenges of balancing emission reduction targets with an orderly, and inclusive transition and geopolitical factors that impact global energy needs, our ability to gather, analyze and verify data, our ability to successfully implement various initiatives throughout the company under expected time frames, the risk that initiatives will not be completed within a specified period, or at all, or with the results or outcomes as originally expected or anticipated by RBC, the compliance of various third parties with agreements, our policies and procedures and their commitments to us, financial market conditions, our business operations, our financial results, condition and objectives, regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties and fines), and cyber, strategic, reputation, legal and regulatory environment, competitive, model and systemic risks and other risks discussed in the risk sections of our Annual Report for the year ended October 31, 2023 (2023 Annual Report) and the Risk management section of our Quarterly Report for the three-month period ended January 31, 2024 (Q1 2024 Report to Shareholders). 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 2023 Annual Report, as may be updated by subsequent quarterly reports.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events, as well as the inherent uncertainty of forward-looking statements.

Material economic assumptions underlying the forward-looking statements contained in this 2023 Climate Report are set out in the Economic, market and regulatory review and outlook section and for each business segment under the Strategic priorities and Outlook headings in our 2023 Annual Report as updated by the Economic, market and regulatory review and outlook section of our Q1 2024 Report to Shareholders and as may be updated further by subsequent quarterly reports. Except as required by law, none of RBC nor 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. Additional information about these and other factors can be found in the risk sections of our 2023 Annual Report and in the Risk management section of our Q1 2024 Report to Shareholders, which may be updated further by subsequent quarterly reports.

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This Report does not constitute an offer or a solicitation to buy or sell any security, product or service in any jurisdiction; nor is it intended to provide investment, financial, legal, accounting, tax or other advice, and such information should not be relied or acted upon for providing such advice. Nothing in this Report shall form the basis of or be relied upon in connection with any contract, commitment or investment decision whatsoever. The recipient is solely liable for any use of the information contained in this Report, and neither RBC nor any of its affiliates nor any of their respective directors, officers, employees or agents shall be held responsible for any direct or indirect damages arising from the use of this Report by the recipient.

Climate metrics, data and other information contained in this Report, including but not limited to information relating to our net-zero related commitments, goals, and targets, including our Interim Targets, scenario analysis, financed emissions, carbon-related assets, and emissions from our own operations are or may be based on assumptions, estimates and judgements. In addition, as discussed herein, some of the information provided, including regarding our Interim Targets, our performance against our climate-related commitments, goals and targets, and other emissions metrics, is based on estimated data with very limited supporting documentation. For example, we have not independently verified or assessed the assumptions underlying the data we have obtained from our clients and other third parties that we use to set, track and report on our progress towards meeting our Interim Targets. Moreover, the data needed to define our pathway towards reaching our Interim Targets may be limited in quality, unavailable or inconsistent across the sectors we choose to focus on, and the process of collecting, aggregating and reporting data is protracted and highly dependent on the data our clients and other third parties make available at any given time. Given their inherent uncertainty and complexity, and the significant issues with some of the underlying data, assumptions, estimates and judgements believed to be reasonable at the time of the preparation of this Report may subsequently turn out to be inaccurate, and our goals and Interim Targets set forth in this Report may need to be changed. In addition, many of the assumptions, estimates, standards, methodologies, scenarios, metrics and measurements used in preparing this Report continue to evolve and may differ significantly from those used by other companies and those that may be used by us in the future. Legislative and regulatory changes, market developments and/or changes in data availability and reliability could also materially affect these assumptions, estimates, standards, methodologies, scenarios, metrics and measurements used by us and/or other companies, and could therefore materially affect the comparability of the information and data across industries or companies and from one reporting period to a subsequent reporting period, as well as our ability to achieve our commitments, goals and targets. Any commitments, goals and targets discussed in this Report, including but not limited to our net-zero related commitments, goals and targets, as well as our Interim Targets, are aspirational and have been established based on the climate scenarios and pathways, data and methodologies that are reasonably available to us at the time, and certain other assumptions that we believe are reasonable and appropriate for the purposes of setting these commitments,

goals and targets, including ordinary rates of growth and development of our businesses, continued progress towards stated climate ambitions by both our clients and government entities, and corresponding changes in the end-use of our clients' products. Our climate-related commitments, goals, and targets, as well as the disclosures of our progress against such commitments, goals and targets and of other emissions metrics, have been, and in the future may need to be, restated, changed or recalibrated as our businesses grow, develop or change (including through mergers, acquisitions or dispositions), as available data improve and as climate science, transition pathways and market practices regarding standards, methodologies, metrics and measurements evolve. In setting our Interim Targets, we recognize that there are significant gaps between our baselines and our targets. The achievement of our Interim Targets, any of our future emission reduction targets and our ultimate goal of achieving net-zero in our lending by 2050 will depend on the collective efforts and actions across a wide range of stakeholders outside of our control, and there can be no assurance that they will be achieved. See "Caution regarding forward-looking statements".

RBC's commitment to achieving net-zero emissions in our lending by 2050 is not inclusive of the activities of and the assets under management by RBC Global Asset Management and RBC Wealth Management as defined in endnote 8.

This Report is intended to provide information from a different perspective and in more detail than is required to be included in mandatory securities filings and other regulatory reports, including filings with Canadian securities regulators and the SEC. While certain matters discussed in this Report may be of interest and importance to our stakeholders, the use of the terms "material", "significant", "important" or similar words or phrases should not be read as necessarily rising to the level of materiality used for the purposes of securities or other laws and regulations. Any references to "ESG," "sustainable finance," "carbon neutral," "net-zero" or similar terms in this document are intended as references to the internally defined criteria of RBC and not to any jurisdiction-specific regulatory definition that may exist. We have no obligation to update the information or data in this Report.

All references to websites are for your information only. The content of any websites referred to in this Report, including via website link, and any other websites they refer to are not incorporated by reference in, and do not form part of, this Report. This Report is also not intended to make representations as to the environmental and sustainability initiatives of any third parties, whether named herein or otherwise, which may involve information and events that are beyond our control.

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Important notice regarding this Report





Providing feedback

This Report is published for all stakeholders of RBC.
We welcome your questions and feedback on our approach, or suggestions for improvement,
at corporatecitizenship@rbc.com.



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