

FY2017 Climate Change Position & Disclosure Statement



Introduction

Climate change is one of the most pressing issues of our time and affects almost all sectors and industries. There is strong scientific evidence that climate change is caused by human activities - largely fossil fuel combustion, deforestation and other changes in land use.¹ These activities increase the concentration of greenhouse gases (GHGs) in the earth's atmosphere, causing global warming. The result is rising temperatures, changing weather patterns, and more frequent and extreme weather events. The impacts of climate change are already being felt and as global warming continues it may adversely affect the health, safety and security of our communities, and the economies within which Royal Bank of Canada (RBC, we or our) and our clients operate.

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

¹ Intergovernmental Panel on Climate Change ([IPCC](#)).

² [The Paris Agreement](#) entered into force on November 4, 2016.

RBC and Climate Change

RBC has a long history of environmental leadership dating back to 1991 when we launched our first corporate environmental policy. Since 2007, we have identified climate change as one of our priority environmental issues in our corporate environmental strategy.³ RBC is committed to transparency and disclosure, and has reported annually on our key environmental performance metrics and targets since 2003.

Climate-related disclosure is an important tool to enable the management of climate-related risks and opportunities. We are encouraged by the efforts of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) to establish a framework for companies to develop voluntary, consistent climate-related disclosures. RBC is committed to publishing annual disclosures that consider the TCFD recommendations.

In July 2017, RBC became a participant in a global project to pilot the TCFD recommendations, coordinated by the United Nations Environment Programme - Finance Initiative. RBC and fifteen global financial institutions will work collaboratively with the support of external experts to develop scenarios, indicators and methodologies to identify and assess the impact on our business of the transition and physical risks of climate change.

RBC's Climate Change Position Statement affirms that we:

- Support the principles of the Paris Agreement and the international goal to hold global warming to below 2° Celsius.
- Recognize that accelerating low carbon growth and enabling resilient economies and communities in the face of a changing climate contribute to reduced risk, promote long-term environmental protection and social value, and safeguard economic growth.
- Will have an important role to play in supporting an orderly and socially inclusive transition to a low carbon economy, as government actions cannot succeed without support and partnership from the private sector.

- Will continue to explore ways to better enable clients to respond to climate-related risks and anticipate opportunities through our financial products, services and advice, based on demand.
- Will seek to accelerate the flow of capital to clients engaged in efforts to mitigate and adapt to climate change, and to those providing products and services that enable others to do so.
- Will continue to lead by example in our own operations by focusing on energy efficiency, GHG emissions reductions and applying the principles of green building design and operation.
- Will publish climate-related disclosures, at least annually, that consider the recommendations of the FSB's TCFD.
- Will seek to identify, assess and mitigate climate-related risks that have a material impact on our business.
- Will publish research and develop thought leadership on climate-related issues.

Climate Change Disclosure Statement

At RBC, climate-related risks are included in our approach to environmental and social (E&S) risk management. This disclosure is intended to provide stakeholders, clients, shareholders, investors and analysts with an initial view on RBC's approach to climate-related risks and opportunities, structured according to the four thematic areas of the TCFD recommendations.

We recognize that global best practices in the identification, assessment and management of climate-related risks and opportunities continues to evolve. We are committed to continuous improvement, and expect that our disclosure of climate-related issues will evolve as well.

³ [RBC Environmental Blueprint](#).

Governance

The Governance Committee of our Board of Directors provides oversight of RBC's Corporate Citizenship strategy, which includes our corporate environmental strategy. The Risk Committee of our Board of Directors provides oversight to ensure that management has established policies, processes and procedures to manage all risks, including E&S risks such as climate change. E&S risks are described in our enterprise risk management and reputation risk management frameworks, which are reviewed and approved annually by the Risk Committee of the Board. RBC's [Corporate Governance Framework](#) provides an overview of our corporate governance structures, principles, policies and practices. Group Risk Management (GRM) has oversight over the management of E&S risks, with a dedicated team responsible for identifying, assessing, managing and, where possible, mitigating those issues that may pose risks to RBC.

Strategy

RBC's Corporate Citizenship sets our corporate environmental strategy, which is outlined in [RBC's Environmental Blueprint](#). This strategic approach focuses on reducing GHG emissions from our operations; supporting the growth and evolution of businesses in the renewable energy and clean technology sectors with a dedicated advisory team; subjecting our lending, and debt and equity underwriting services in all regions in which we operate to E&S due diligence; and promoting environmental sustainability in communities where we operate. RBC is also committed to providing leadership and publishing research on climate-related topics and we have publically articulated our views on important issues such as carbon pricing, clean innovation, and the role of infrastructure development in creating more resilient communities. Please see the reports from RBC Economics ([September 2016](#), [April 2017](#), [October 2017](#)).

Risk Management

E&S risks, including climate change, may be drivers of other risk types. Our enterprise credit and reputation risk management frameworks articulate RBC's approach to identifying and managing risks, and include reference to climate change as a potential source of risk. These frameworks are supported by a suite of enterprise-wide and business-specific E&S risk management policies. These policies require a risk-based approach whereby we apply enhanced due diligence, and escalation procedures apply to sectors, clients and business activities that may be exposed to E&S issues. For clients in sectors categorized as medium and high environmental risk this includes evaluation of whether clients have assessed and quantified the regulatory impacts of climate change. For project financing this includes identification of projects with GHG emissions (Scope 1 and 2) that are expected to be greater than 100,000 tonnes of CO₂ equivalent annually, and requires an alternatives analysis for such projects, as per the Equator Principles. Additional information can be found [here](#).

Metrics and Targets

RBC tracks and reports on our key environmental performance metrics and targets in our [Corporate Citizenship Report](#), which we update annually; our fiscal 2017 data will be published in March 2018. This includes data related to GHG emissions, energy use, green buildings, water consumption, waste management, products and services that support the low carbon transition, socially responsible investments, and E&S risk management. As a responder and signatory to the Carbon Disclosure Project, RBC has been publicly reporting climate change data since 2007, including multi-year data on absolute and intensity-based GHG emissions (Scope 1 and Scope 2) calculated according to the GHG Protocol. Since 2015, RBC has received third-party verification and third-party limited assurance of our energy and emissions performance.

Caution regarding forward-looking statements

From time to time, we 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 document, in filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications. Forward-looking statements in this document include, but are not limited to, statements relating to causes and impacts of climate change globally including on economies and communities in which RBC and our clients operate, and strategies to mitigate and adapt to climate-related risks and opportunities. The forward-looking information in this document is included to assist our stakeholders in understanding ways we intend to address these climate-related risks and opportunities. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, and that our assumptions may not be correct. We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements, many of which are beyond our control and the effects of which can be difficult to predict.

We caution that 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. Material assumptions underlying many of the forward-looking statements contained in this document 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 2017 Annual Report for the fiscal year ended October 31, 2017 (2017 Annual Report). Except as required by law, we do not 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 risks sections of our 2017 Annual Report.