

# Sustainable Finance Framework

Our approach and methodology  
for sustainable finance

March 2024



## Caution regarding forward-looking statements

This document titled “Sustainable Finance Framework” (Framework) may contain 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. In addition, our representatives may communicate forward-looking statements orally to analysts, investors, the media and others. Forward-looking statements contained in this document may include, but are not limited to, statements relating to the economic, environmental, social and governance-related objectives, vision, ambitions, commitments, goals, metrics and targets of Royal Bank of Canada and its subsidiaries (“RBC”, “we”, “us” or “our”), including those relating to RBC’s investments in sustainable finance, what RBC considers as sustainable finance under this Framework, sustainable finance industry standards, the aims, deployment and implementation of this Framework, the allocation of sustainable finance proceeds, the sustainable finance market, the risks and estimated impacts associated with sustainable finance transactions, products and services, and RBC’s approach to reporting of our progress against its sustainable finance commitment. 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”, “might”, “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 objectives, vision, ambitions, commitments, goals, metrics and targets, and strategies and that our environmental, social and governance, or other objectives, vision and strategic goals, including our sustainable finance commitment, 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, estimates, standards, methodologies, metrics and measurements relevant to its activities, results, and commitments described in this document continue to evolve and are based on assumptions believed to be reasonable at the time of preparation, but should not be considered guarantees.

RBC cautions readers not to place undue reliance on our forward-looking statements as a number of risk factors could cause its actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond its control and the effects of which can be difficult to predict – include, but are not limited to: difficulty in identifying transactions, products and services that meet the sustainable finance classification criteria, the risk that eligible transactions or

related initiatives will not be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by RBC, the need for more and better ESG-related data and standardization of ESG-related measurement methodologies, RBC’s ability to gather, analyze and verify data regarding environmental impacts, RBC’s ability to track transactions and report on them as performance against its sustainable finance commitment, RBC’s ability to successfully implement various initiatives throughout RBC under expected time frames, the risk that initiatives will not be completed within a specified period or at all or with the results or outcome as originally expected or anticipated by RBC, the compliance of various third parties with our agreements, policies and procedures and their commitments to RBC, 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, 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.

RBC cautions that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect its 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.

Except as required by law, none of RBC or its affiliates undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by RBC or on its 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.

## Important notice regarding this document

This Framework is presented for the purpose of assisting our stakeholders in understanding our sustainable finance vision, commitments, goals, metrics and targets, as well as our current approach to sustainable finance, and may not be appropriate for other purposes. This document 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 document 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 document, 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 damage arising from the use of this document by the recipient.

RBC's activities described in this document, and ESG-related metrics, data and other information relevant to its activities and commitments contained in this document are or may be based on assumptions, estimates and judgements. Any commitments, goals and targets discussed in this document are aspirational. RBC's ESG-related commitments, goals, and targets as well as the disclosures of its progress against such commitments, goals, and targets, have been, and in the future may need to be, restated, changed or recalibrated as available data improves and as science, transition pathways and market practices regarding standards, methodologies, metrics and measurements evolve. The achievement of RBC's commitments discussed in this document will depend on the collective efforts and actions across a wide range of stakeholders outside of its control, and there can be no assurance that they will be achieved. For further cautionary statements relating to ESG-related metrics, data and other information in this document, refer to the "Important notice regarding this Report" section in RBC's most recent ESG Progress Report.

This document 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 U.S. Securities and Exchange Commission. While certain matters discussed in this document may be of interest and importance to RBC's 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 document.

All references to websites are for your information only. The content of any websites referred to in this document, including via website link, and any other websites they refer to are not incorporated by reference in, and do not form part of, this document. This document is also not intended to make representations as to ESG-related 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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# Introduction

Royal Bank of Canada (RBC, we, us or our) is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance.

RBC is committed to helping build a more inclusive, sustainable and prosperous future. We do so by harnessing the power of our Purpose: Helping clients thrive and communities prosper.

We established the RBC Purpose Framework – *Powering Ideas for People and Planet* – to help create clarity and structure around three ambitions where we believe the bank can have an impact externally, in our own operations and with our employees.

- **Accelerating the transition to a greener economy**
- **Equipping people with the skills they need for a thriving future**
- **Driving more equitable prosperity in our communities**

**Sustainable finance<sup>1</sup> is one key lever we can use to influence change and drive to impact across these three societal ambitions.**

As Canada's biggest bank, and one of the largest in the world based on market capitalization, we can have an impact by shaping the way capital is deployed. We also see sustainable finance as a significant growth opportunity for our clients and our business.

We are committed to facilitating \$500 billion in sustainable finance by 2025.<sup>2</sup> As a provider of sustainable finance products and services, we have a deep interest in enhancing the integrity and credibility of the sustainable finance market, and are committed to upholding industry guidelines and good market practice.

You can learn more about our purpose-driven approach to ESG and sustainable finance through our annual [ESG Progress Report](#). For more information about our climate strategy, please visit [rbc.com/climate](https://www.rbc.com/climate).

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

<sup>2</sup> \$100 billion commitment initially made in 2019 and was subsequently expanded to \$500 billion in 2021. All amounts in this Framework are in Canadian dollars unless otherwise noted. Measurements used in this Framework are metric.

## 1.1 Purpose

This Sustainable Finance Framework (“the Framework”) defines our approach and methodology for sustainable finance. It is intended to serve as:

- The **basis for classifying, tracking and disclosing performance towards our sustainable finance commitment**. We are committed to transparency and the integrity of our sustainable finance definition and methodology.
- A **tool for identifying opportunities and driving growth**, in line with our belief that sustainable finance represents a growth opportunity for our clients and our business.

The Framework outlines three key components of our sustainable finance methodology:

- Eligibility Criteria used to classify transactions as eligible towards our sustainable finance commitment
- Metrics for reporting progress towards our sustainable finance commitment
- Environmental and social risk management, which is an important element of RBC’s approach to sustainable finance

This version of the Framework, dated March 2024, updates and replaces the previous version released in October 2022. We have refined the Framework to help reflect emerging business opportunities and remain aligned with industry guidelines and evolving market practice.

This Framework is applicable from our 2024 fiscal year (November 1, 2023 – October 31, 2024) onwards. RBC intends to review the Framework at least every two years.

## 1.2 Scope and classification pathway

The Framework covers RBC-provided financing & advisory services and RBC's own bond holdings.<sup>1</sup> Investments held by RBC clients are not in scope. The Framework applies enterprise-wide with some exceptions,<sup>2</sup> and covers **three categories of sustainable finance**:

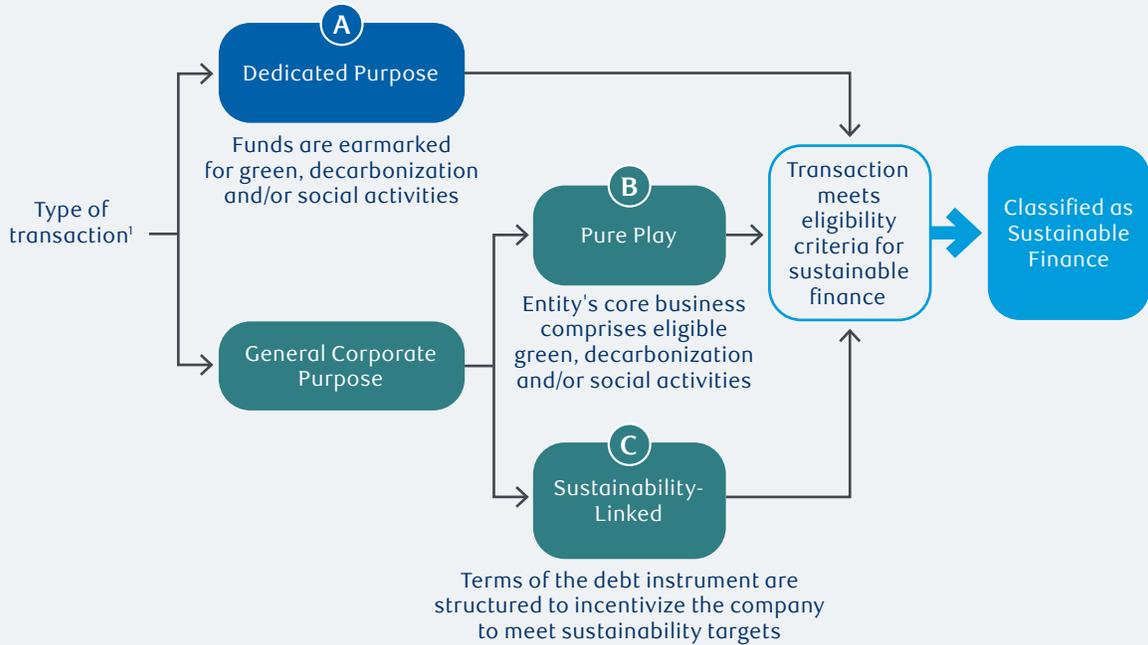
- A Dedicated purpose:** Financing that is earmarked for green, decarbonization and/or social activities (e.g. a green bond or project finance where the proceeds are allocated to activities such as the financing of electric vehicles or the provision of public education)
- B General corporate purpose – pure play:** Financing for an entity whose core business comprises eligible green, decarbonization and/or social activities (e.g. affordable housing provider or renewable energy company) that the entity can use for general corporate purposes
- C General corporate purpose – sustainability-linked:** Financing that ties the terms of the finance agreement to the issuer's or borrower's achievement of pre-determined sustainability targets, but the funds are not earmarked for a specific activity (e.g. a loan where the interest rate changes based on the borrower meeting greenhouse gas emissions reduction targets and workforce diversity improvement targets)

The figure on the next page illustrates the pathway RBC uses to classify transactions as eligible towards our sustainable finance commitment.

<sup>1</sup> RBC's own applicable issuances of sustainable debt will continue to be issued in accordance with the relevant framework for the applicable issuance. For example, RBC-issued green, social or sustainability bonds will continue to be issued in accordance with the [RBC Sustainable Bond Framework](#).

<sup>2</sup> The Framework does not apply to the activities of and assets under management by RBC Global Asset Management® ("RBC GAM"), the asset management division of RBC, and RBC Wealth Management ("RBC WM"). RBC GAM includes, but is not limited to, the following wholly owned indirect subsidiaries of RBC: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited and BlueBay Asset Management LLP. 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 us; and (b) Brewin Dolphin Holdings PLC and its subsidiaries.

## Pathway for sustainable finance classification



<sup>1</sup> Our environmental and social risk management (ESRM) process is designed to ensure we apply a suitable level of due diligence to a transaction. We maintain ESRM policies and procedures designed to identify, assess and mitigate the environmental and social risks associated with financing our clients. See Section 4 for details on environmental and social risk management.

# Eligibility Criteria

RBC assesses transactions to determine whether they meet the criteria for classification as eligible towards our \$500 billion by 2025 sustainable finance commitment. Detailed below are the specific criteria used to assess each of the three categories of sustainable finance transactions.

## A 2.1 Dedicated purpose

Dedicated purpose financing is eligible for classification as sustainable finance if:

2.1.1 **Proceeds are exclusively directed towards eligible green, decarbonization and/or social activities** listed in Tables 1, 2 and 3 in Section 2.4; or

2.1.2 The instrument is a **designated green, social or sustainability bond or loan** that aligns with relevant guidelines such as:

- International Capital Market Association (ICMA) [Green](#) & [Social](#) Bond Principles; or
- ICMA [Sustainability Bond Guidelines](#); or
- Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) [Green](#) & [Social](#) Loan Principles; or

2.1.3 The instrument is a **municipal bond** where the proceeds are intended primarily for the **public provision of social and/or environmental services**<sup>1</sup>

## B 2.2 General corporate purpose – pure play

Transactions (e.g. credit, M&A advisory) are eligible for classification as sustainable finance **if the entity derives 90% or more of its revenue from eligible green, decarbonization and/or social activities** listed in Tables 1, 2 and 3 in Section 2.4.

## C 2.3 General corporate purpose – sustainability-linked

Sustainability-linked transactions are those where the terms of the finance agreement are tied to the issuer's or borrower's achievement of pre-determined sustainability targets as measured through Key Performance Indicators (KPIs) and assessed against Sustainability Performance Targets (SPTs).

<sup>1</sup> Including but not limited to healthcare, education, housing, transportation, student loans, water & sanitation, energy efficiency, renewable energy, pollution prevention and control, and circular economy.

Sustainability-linked transactions are eligible for classification as sustainable finance if the debt instrument aligns with relevant guidelines such as the ICMA [Sustainability-Linked Bond Principles \(SLBP\)](#)<sup>1</sup> or the APLMA/LMA/LSTA [Sustainability-Linked Loan Principles \(SLLP\)](#).<sup>2</sup>

These guidelines include components that address issues such as:

- **The materiality of the KPI**<sup>3</sup>: The KPIs should relate to the borrower’s core sustainability and business strategy, address relevant environmental, social and/or governance challenges for the industry sector, and be under management’s control.
- **The ambitiousness of the SPT**: The SPTs should represent a material improvement beyond a “business as usual” trajectory, be able to be benchmarked against historical performance, peer performance and/or external targets and, where applicable, be based in science.
- **Implications of whether targets are achieved or not**: A variation in the instrument’s financial or structural characteristics should be triggered depending on whether the selected KPI(s) reaches the predefined SPT(s).
- **Monitoring performance**: Issuers and borrowers must report their performance against the SPTs so lenders can monitor progress and determine whether the SPTs remain ambitious and relevant to the issuer’s or borrower’s business.
- **Verifying performance**: Issuers and borrowers must obtain independent external verification of their performance against the SPTs.

The guidelines are available [here \(SLBP\)](#) and [here \(SLLP\)](#).

## 2.4 Eligible green, decarbonization and social activities

Tables 1, 2 and 3 below detail the green, decarbonization and social activities used to determine eligibility for dedicated purpose financing, where proceeds are exclusively directed to eligible green, decarbonization and/or social activities (i.e. category 2.1.1) and for general corporate purpose – pure play financing (i.e. category 2.2). These tables have been developed with reference to relevant industry guidelines such as the ICMA [Green & Social Bond Principles](#) and existing taxonomies such as the [Climate Bonds Taxonomy](#) and the [EU taxonomy for sustainable activities](#).

<sup>1</sup> These principles apply to bonds that contribute to sustainability from an environmental, social and/or governance perspective.

<sup>2</sup> These principles apply to loans or contingent facilities that aim to support economic activity and growth that is environmentally and/or socially sustainable.

<sup>3</sup> We are using the term “material” to mean the KPI has high strategic significance to the borrower’s or issuer’s strategy and operations. The use of the terms “material”, “significant”, “important” or similar words or phrases in this Framework should not be read as necessarily rising to the level of materiality used for the purposes of complying with securities laws and regulations.

**Table 1: Eligible green activities**

Eligible green activities under this Framework are those that support key environmental objectives including but not limited to climate change mitigation, climate change adaptation, biodiversity and ecosystem protection, environmentally sustainable use and protection of water and marine resources, pollution prevention and control, and circular economy.

Eligible Categories	Eligible Activities	UN SDGs Alignment <sup>1</sup>
<p><b>Low-carbon energy</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Renewable energy:</b> Construction, development, operation, acquisition, maintenance and connection of the following renewable energy generation sources:               <ul style="list-style-type: none"> <li>– Wind</li> <li>– Solar</li> <li>– Geothermal with direct emissions of less than 100g CO<sub>2</sub>e/kWh</li> <li>– Waste biomass and renewable biofuels with life-cycle emissions less than 100g of CO<sub>2</sub>e/kWh; sourced from sustainable agriculture and forestry residues or from non-recyclable municipal solid waste.<sup>1</sup></li> <li>– Tidal</li> <li>– Hydroelectricity<sup>2</sup></li> </ul> </li> <li>▪ <b>Other low-carbon energy:</b> Construction, development, operation, acquisition, maintenance and connection of the following energy generation sources:               <ul style="list-style-type: none"> <li>– Nuclear<sup>3</sup></li> <li>– Hydrogen produced via electrolysis powered by low-carbon energy sources as defined in this Framework</li> </ul> </li> <li>▪ <b>Transmission, distribution and storage:</b> Construction, development, operation, acquisition and maintenance of:               <ul style="list-style-type: none"> <li>– Electricity transmission and distribution systems</li> <li>– Batteries and other energy storage devices</li> <li>– Efficiency improvements for transmission and distribution of energy such as smart grids</li> </ul> </li> </ul>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p><b>Energy efficiency</b></p>	<ul style="list-style-type: none"> <li>▪ Projects, products and systems that increase energy efficiency and/or reduce energy consumption or mitigate greenhouse gas (GHG) emissions by 20% or more over the baseline, including:               <ul style="list-style-type: none"> <li>– Energy-efficient heating and cooling systems, lighting, and appliances</li> <li>– Centralized energy control systems</li> </ul> </li> </ul>	<p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 

<sup>1</sup> Including upstream supply of feedstock used for power generation sourced from sustainable agriculture and forestry and meeting the lifecycle emissions threshold.

<sup>2</sup> New hydroelectricity development projects >25MW must have a power density of over 10 W/m<sup>2</sup> or operate with lifecycle emissions below a threshold of 50g CO<sub>2</sub>e/kWh. Includes refurbishment of existing hydroelectricity facilities, provided the size of the dam or reservoir is not increased.

<sup>3</sup> Includes research and development related expenditures. Must be in accordance with applicable laws. Must be within jurisdictions that have adequate regulations governing nuclear safety and that adhere to standards defined by the International Atomic Energy Agency addressing site selection, operational safety, waste management and responsible materials sourcing.

**Table 1: Eligible green activities (continued)**

Eligible Categories	Eligible Activities	UN SDGs Alignment
<p><b>Pollution prevention and control</b></p>	<ul style="list-style-type: none"> <li>▪ Construction, development, operation, acquisition and maintenance of land, facilities, systems or equipment used for collection, treatment/ remediation, recycling or reuse of emissions<sup>1</sup> (e.g. direct air capture), waste<sup>2</sup> or contaminated soil</li> </ul>	
<p><b>Environmentally sustainable management of living natural resources and land use</b></p>	<ul style="list-style-type: none"> <li>▪ Activities that contribute to the environmentally sustainable management of living natural resources, land use and natural ecosystem protection, including: <ul style="list-style-type: none"> <li>– <b>Sustainable agriculture:</b> <ul style="list-style-type: none"> <li>• Agriculture production activities (including necessary infrastructure, equipment and inputs) that contribute to reducing GHG emissions, improve carbon sequestration and/or reduce water use, including: <ul style="list-style-type: none"> <li>- Land use-related techniques and technologies that reduce fertilizer use, promote nitrogen management, enhance soil organic carbon, improve carbon sequestration, prevent land conversion, promote the collection and use of agricultural waste, enable low tillage techniques, introduce high-efficiency irrigation technologies, facilitate the rehabilitation of degraded lands, etc.</li> <li>- Livestock-related activities that reduce methane or other GHG emissions such as manure management techniques to reduce enteric emissions</li> <li>- Machinery or equipment required to adopt sustainable agriculture practices such as variable-rate technology, autonomous machinery, remote sensing</li> </ul> </li> <li>• Climate-smart farm inputs, animal husbandry, fisheries and aquaculture certified by a recognized third-party certification such as Canada Organic, USDA Organic, Rainforest Alliance, Marine Stewardship Council, Aquaculture Stewardship Council, Global G.A.P. for Aquaculture or Best Aquaculture Practices (2 stars or more)</li> </ul> </li> <li>– <b>Sustainable forestry:</b> <ul style="list-style-type: none"> <li>• Sustainably managed forests and forest products certified by credible third-party certification systems such as Forest Stewardship Council, Programme for the Endorsement of Forest Certification and the Sustainable Forestry Initiative</li> <li>• Afforestation efforts such as planting, seeding or the deliberate natural regeneration of non-forest lands</li> </ul> </li> </ul> </li> </ul>	

<sup>1</sup> Landfill GHG emission capture that utilizes municipal or industrial solid waste is eligible only when the landfill is no longer operational and the emission capture rate is greater than 75%.  
<sup>2</sup> Including waste management companies that incorporate recycling and sustainable waste collection into their operations.

**Table 1: Eligible green activities (continued)**

Eligible Categories	Eligible Activities	UN SDGs Alignment
<p><b>Clean transportation</b></p>	<ul style="list-style-type: none"> <li>■ Construction, development, operation, acquisition and maintenance of zero or low tailpipe emissions transportation assets, including:               <ul style="list-style-type: none"> <li>– Private transport, including:                   <ul style="list-style-type: none"> <li>• Electric or hydrogen vehicles</li> <li>• Hybrid vehicles with a CO<sub>2</sub> emissions threshold of &lt;75g CO<sub>2</sub>/km</li> <li>• Hydrogen fuel or electric charging stations</li> </ul> </li> <li>– Public transport, including:                   <ul style="list-style-type: none"> <li>• Electrified rails and trams</li> <li>• Electric or hydrogen buses</li> <li>• Hybrid buses with a CO<sub>2</sub> emissions threshold of &lt;50g CO<sub>2</sub>/p-km</li> <li>• Hydrogen fuel or electric charging stations</li> </ul> </li> </ul> </li> </ul>	
<p><b>Environmentally sustainable water and wastewater management</b></p>	<ul style="list-style-type: none"> <li>■ Construction, development, operation, acquisition and maintenance of infrastructure for:               <ul style="list-style-type: none"> <li>– Collection, treatment, recycling or reuse of water, rainwater or wastewater</li> <li>– Flood prevention, flood defense or storm water management<sup>1</sup></li> <li>– Water metering activities to support conservation initiatives</li> <li>– Water distribution systems with improved efficiency</li> <li>– Water desalination plants that are powered by low-carbon energy sources<sup>2</sup></li> </ul> </li> </ul>	
<p><b>Terrestrial and aquatic biodiversity</b></p>	<ul style="list-style-type: none"> <li>■ Activities that contribute to the enhancement or conservation of terrestrial or aquatic biodiversity, such as protection of coastal, marine and watershed environments certified by the Marine Stewardship Council</li> <li>■ Wildlife habitat management, rehabilitation, restoration and conservation of ecosystems from a degraded state</li> </ul>	
<p><b>Green buildings</b></p>	<ul style="list-style-type: none"> <li>■ Construction, development, operation, acquisition and maintenance of residential or commercial buildings (including homes) that have:               <ul style="list-style-type: none"> <li>– Received, or expect to receive based on their design, construction and operation plans, certification according to third-party verified building standards, including LEED Gold or Platinum or equivalent levels in other certification schemes such as BOMA BEST (Gold or Platinum), BREEAM (Excellent or Outstanding), ENERGY STAR (score &gt;85), ENERGY STAR for New Homes (v12.6+), Toronto Green Standard (v4) (Tier 2 or higher), Passive House Institute – EnerPHit, BC Energy Step Code (Step 3 or above); UK Energy Performance Certificate score A or B; or</li> <li>– Achieved, based on a third-party assessment, GHG emissions performance in the top 15% of their city, province/state or country; or</li> </ul> </li> <li>■ Refurbishments or retrofits of residential or commercial buildings that help reduce GHG emissions including projects or activities that achieve, or are expected to achieve, based on a third-party assessment, energy savings of at least 30% over the baseline energy consumption</li> </ul>	

<sup>1</sup> Supported by a vulnerability assessment and adaptation plan.

<sup>2</sup> Low-carbon energy as defined in this Framework. The plant must have established waste management plans for brine disposal.

**Table 1: Eligible green activities (continued)**

Eligible Categories	Eligible Activities	UN SDGs Alignment
<p><b>Climate change adaptation and resilience</b></p>	<ul style="list-style-type: none"> <li>▪ Adaptation measures based on a vulnerability assessment and adaptation plan that contribute to reducing vulnerability to climate change impacts, including projects that:                             <ul style="list-style-type: none"> <li>– Develop information support systems for monitoring GHG emissions and early warning systems for natural disasters</li> <li>– Increase resilience against physical impacts of climate change, such as sea level change, extreme weather events and natural disasters (e.g. flood mitigation barriers and wildfire mitigation and management)</li> </ul> </li> </ul>	
<p><b>Circular economy adapted products, production technologies and processes</b></p>	<ul style="list-style-type: none"> <li>▪ Projects or businesses that facilitate or carry out circular economy activities including:                             <ul style="list-style-type: none"> <li>– Substituting virgin raw materials with 100% secondary (recycled or reused waste) materials (e.g. fabrics, metals, fibers, wood and mechanically recycled plastics) in manufacturing and industrial processes</li> <li>– Producing products that can be recycled or composted where the input feedstock is from recycled/reused waste</li> <li>– Minerals-based materials recovery or recycling in mining and industrial materials processes post-production</li> <li>– Increasing the capacity utilization of a product or asset during its useful life (e.g. through sharing and/or predictive maintenance)</li> </ul> </li> </ul>	

**Table 2: Eligible decarbonization activities**

RBC is committed to supporting clients in reducing their emissions, including those in high-emitting hard-to-abate sectors that provide essential products and services today and for the foreseeable future. RBC recognizes that the transition to a net-zero economy requires the decarbonization of these key sectors.

Decarbonization activities are those that help reduce emissions from high-emitting hard-to-abate sectors. Decarbonization activities that are eligible under this Framework are listed below.

Eligible Categories	Eligible Activities	UN SDGs Alignment
<b>Carbon capture</b>	<ul style="list-style-type: none"> <li>▪ Construction, development, operation, acquisition and maintenance of assets for carbon capture, utilization and storage (CCUS) in industrial facilities in high-emitting hard-to-abate sectors. This includes, for example, CCUS use in:               <ul style="list-style-type: none"> <li>– Bio-energy plants</li> <li>– Chemical production</li> <li>– Cement factories</li> <li>– Oil &amp; gas facilities<sup>1</sup></li> </ul> </li> </ul>	
<b>Electrification of industrial operations</b>	<ul style="list-style-type: none"> <li>▪ Construction, development, operation, acquisition and maintenance of assets for the electrification of conventional (non-electric) industrial operations in high-emitting hard-to-abate sectors. This includes, for example,               <ul style="list-style-type: none"> <li>– Electric arc furnaces for steel production</li> <li>– Electric kilns for cement production</li> <li>– Electrification of industrial heating or cooling processes</li> </ul> </li> </ul>	 
<b>Low-carbon intensity fuels</b>	<ul style="list-style-type: none"> <li>▪ Development, production or distribution of low-carbon intensity fuels,<sup>2</sup> including liquid fuels with a carbon intensity <math>\leq 50\text{g CO}_2\text{e/MJ}</math> or gaseous fuels with a carbon intensity <math>\leq 36\text{g CO}_2\text{e/MJ}</math></li> </ul> <p>Examples of eligible fuel types include: hydrogen, ethanol, renewable diesel, co-processing of biocrude, sustainable aviation fuel, synthetic fuel and renewable natural gas (either synthetic natural gas from biomass or derived from processing biogas)</p>	
<b>Methane emissions reduction</b>	<ul style="list-style-type: none"> <li>▪ Activities that help reduce methane emissions from operations towards a specified reduction target.<sup>3</sup> This includes, for example:               <ul style="list-style-type: none"> <li>– Methane leak detection and repair</li> <li>– Installation of emissions control devices</li> </ul> </li> </ul>	

<sup>1</sup> CCUS for the purpose of upstream enhanced oil recovery is excluded.

<sup>2</sup> Biogas production from landfill gas capture must be from closed or decommissioned landfill with a gas-capture efficiency of greater than 75%. Waste biomass sourced from sustainable agriculture and forestry residues or from non-recyclable municipal solid waste.

<sup>3</sup> Client's target must be aligned with an industry initiative or recognized standard such as the Global Methane Pledge, the Government of Canada's Methane Strategy or the World Bank's Zero Routine Flaring by 2030 Initiative.

In addition to considering the eligibility of the activity, RBC will only count decarbonization finance transactions towards its sustainable finance goal if the client has a transition plan that **either**:

**1. Meets the following criteria:**

- 1.5°C-aligned emissions reduction targets for all relevant scopes, based on a credible pathway<sup>1</sup>; and
- Time-bound actions to reduce emissions; and
- Board oversight of the transition plan; and
- Emissions reporting for all relevant scopes on both an absolute and intensity basis; and
- Progress reporting towards emissions reduction targets; and
- Reporting aligned with a recognized framework (e.g. TCFD); **or**

2. In sectors where RBC has established a transition readiness framework, is **assessed as “Emerging” or higher under the framework for the sector.**<sup>2</sup> Details on transition readiness frameworks are available [here](#).

RBC will primarily consider only dedicated use-of-proceeds transactions for eligibility under the decarbonization category. The exception to this are general corporate purpose transactions relating to pure play entities whose core business comprises an eligible decarbonization activity per Section 2.2 of this Framework (e.g. a company whose only business is developing CCUS technology).

<sup>1</sup> Interim and long-term targets for all relevant scopes based on a credible 1.5°C pathway, where “interim” refers to short-term and/or medium-term.

<sup>2</sup> The transition readiness framework assesses the robustness of clients’ climate transition plans. At the time of publication of this Framework, RBC Capital Markets has developed and published its formal client engagement approach on climate, which includes a transition readiness framework, for the oil & gas sector and the power generation sector. RBC will develop formal client engagement approaches on climate for other sectors (including automotive) and in other lines of business where the bank sets emissions reduction targets, and where relevant and meaningful to do so and/or where there is a business need to do so.

### Table 3: Eligible social activities

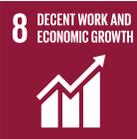
Eligible social activities under this Framework are those that provide clear benefits to people, and help build more inclusive and strengthened communities. Eligible activities focus on target populations similar to those defined in the ICMA Social Bond Principles. The target population can vary depending on local contexts, and in some cases, such target population(s) may also be served by addressing the general public. We also recognize that historically underrepresented groups are a critical focus for enabling economic inclusion. These groups may include those who self-identify as women, Black, Indigenous or people of color (BIPOC), LGBTQ+, and/or persons with disabilities.

Eligible Categories	Eligible Activities	UN SDGs Alignment
<p><b>Access to essential services</b></p>	<ul style="list-style-type: none"> <li>■ Construction, development, operation, acquisition, refurbishment and maintenance of publicly available, free or subsidized essential services, including:               <ul style="list-style-type: none"> <li>– Education (including public and government-subsidized universities, colleges, schools and training centres)</li> <li>– Healthcare (including public hospitals, health-care centers, medical equipment and services, women’s health facilities, mental health facilities, public health systems such as emergency response and disease control services and programs, homes or health facilities for seniors or persons with disabilities)</li> <li>– Care centres (including childcare centres, community centres, senior care centres, refugee centres, safe houses and organizations that provide similar services to target populations such as people who are homeless and survivors of domestic abuse)</li> <li>– Disaster relief and preparedness services (including hazardous materials response, search and rescue, evacuation centres, high-capacity pumping, emergency power systems, flood containment)</li> <li>– Rehabilitation of parks and other public spaces</li> </ul> </li> </ul>	 
<p><b>Affordable housing</b></p>	<ul style="list-style-type: none"> <li>■ Construction, development, purchase, operation, refurbishment and maintenance of new or existing buildings that provide housing that meets national/regional affordable housing definitions in the applicable jurisdiction,<sup>1</sup> including:               <ul style="list-style-type: none"> <li>– Housing for households or individuals whose income is below 80% of the area median income (AMI) and where rents are ≤30% of their pre-tax income</li> <li>– Social housing at below-market rents to low-income earners<sup>2</sup></li> <li>– No-cost housing solutions such as homeless shelters and transitional housing for homeless families and individuals</li> <li>– Rent-to-own programs for qualifying individual or family households whose income is below 80% of the AMI or 120% of the AMI in high-cost areas</li> </ul> </li> </ul>	

<sup>1</sup> Based on the applicable definitions within the jurisdiction in which it is built, such as through the Canada Mortgage and Housing Corporation’s Investment in Affordable Housing program, the U.S. Department of Housing and Urban Development, the UK Regulator of Social Housing or other regional equivalents.

<sup>2</sup> For example, in Canada, low-income is defined as 50% below the AMI, which is consistent with Statistics Canada’s definition.

**Table 3: Eligible social activities (continued)**

Eligible Categories	Eligible Activities	UN SDGs Alignment
<p><b>Affordable basic infrastructure</b></p>	<ul style="list-style-type: none"> <li>Construction, development, operation, acquisition, refurbishment and maintenance of basic infrastructure for underserved and/or remote communities that have limited or no access to services including but not limited to clean drinking water, sewers, sanitation and electricity transmission</li> </ul>	  
<p><b>Socioeconomic advancement &amp; empowerment and employment generation</b></p>	<ul style="list-style-type: none"> <li>Support for organizations that aim to promote socioeconomic advancement and empowerment of women, Indigenous, and/or other groups that are historically underrepresented and/or those who face economic hardship.<sup>1</sup> This includes activities that:               <ul style="list-style-type: none"> <li>Expand access to financial education, capability building and services (e.g. free financial services for specific target populations) and the development or purchase of housing</li> <li>Support access to education, skills development, job placement supports and other economic empowerment initiatives</li> <li>Support micro-, small- and medium-sized enterprises where at least one of the owners is from a historically underrepresented group and has at least a 51% share of ownership</li> <li>Support for micro-, small- and medium-sized enterprises in regions that economically underperform or suffer from multiple deprivations as measured in the local context<sup>2</sup></li> <li>Programs designed for an emergency response to a crisis (for example, economic, health or natural disaster) to alleviate unemployment and/or provide support for individuals and businesses</li> </ul> </li> </ul>	
<p><b>Charities and not-for-profit organizations</b></p>	<ul style="list-style-type: none"> <li>Financing for registered charities and not-for-profit organizations whose specific purpose is to advance activities that are eligible under this Framework</li> </ul>	 

<sup>1</sup> A group that is historically underrepresented may include those who self-identify as women, Black, Indigenous, BIPOC, LGBTQ+, and/or persons with disabilities.

<sup>2</sup> Support for micro-, small- and medium-sized enterprises in regions that economically underperform or suffer from multiple deprivations as measured in the local context is based on applicable definitions within the jurisdiction in which it is built, such as for Canada, in alignment with the Statistics Canada definition of the Canadian Index of Multiple Deprivation.

## 2.5 Exclusionary criteria

RBC will not knowingly consider as eligible under the Framework a transaction with an entity whose current principal industry or primary activity has been determined by RBC as being any of the following:

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

# Reporting

## 3.1 Metrics and reporting basis

The below metrics and reporting basis is used to report progress towards RBC’s sustainable finance commitment. RBC follows widely accepted industry practices when apportioning RBC’s share of a transaction, and these are summarized in the table below. We include both new financing and refinancing.

Metric	Category	Description	Applicable Industry Guidelines	Reporting Basis
Credit extended to eligible clients and projects	A Dedicated purpose	Designated green and/or social loans where proceeds are earmarked for green and/or social activities	APLMA/LMA/LSTA Green & Social Loan Principles  RBC Sustainable Finance Framework	Total authorized loan amount
		Non-designated loans or other credit facilities (e.g. letters of credit) for eligible green, decarbonization and/or social activities	RBC Sustainable Finance Framework	
	B General corporate purpose – pure play	Non-designated loans or other credit facilities (e.g. letters of credit) extended to entities whose core business comprises eligible green, decarbonization and/or social activities	RBC Sustainable Finance Framework	Total authorized loan amount
	C General corporate purpose – sustainability-linked	Designated loans where the terms of the loan are tied to the borrower’s achievement of pre-determined sustainability targets	APLMA/LMA/LSTA Sustainability-Linked Loan Principles  RBC Sustainable Finance Framework	Total authorized loan amount
Value of green/social/sustainability bonds underwritten <sup>1</sup>	A Dedicated purpose	Designated green, social, and/or sustainability bonds where proceeds are earmarked for green and/or social activities	ICMA Green & Social Bond Principles  ICMA Sustainability Bond Guidelines  RBC Sustainable Finance Framework	League table credit is allocated to each bookrunner for their portion of the principal amount of the offering.  For private placements and non-public transactions, the value is apportioned equally between bookrunners.

<sup>1</sup> Proceeds raised from RBC’s own issuance of green, social or sustainability bonds are not within scope.

Metric	Category	Description	Applicable Industry Guidelines	Reporting Basis
<b>Value of sustainability-linked bonds underwritten</b>	<b>C</b> General corporate purpose – sustainability-linked	Designated bonds where the terms of the bond are tied to the issuer's achievement of pre-determined sustainability targets	ICMA Sustainability-Linked Bond Principles  RBC Sustainable Finance Framework	League table credit is allocated to each bookrunner for their portion of the principal amount of the offering.  For private placements and non-public transactions, the value is apportioned equally between bookrunners.
<b>Capital raised</b>	<b>B</b> General corporate purpose – pure play	Capital raised through debt capital markets, equity capital markets, securitizations, project finance, and leveraged finance for issuers and projects whose core business comprises eligible green, decarbonization and/or social activities	RBC Sustainable Finance Framework	League table credit is allocated to each bookrunner for their portion of the principal amount of the transaction.  For private placements and non-public transactions, the value is apportioned equally between bookrunners.
<b>Value of mergers and acquisitions (M&amp;A) deals for clients</b>	<b>B</b> General corporate purpose – pure play	M&A advisory services in transactions where at least one party to the transaction's core business comprises eligible green, decarbonization and/or social activities	RBC Sustainable Finance Framework	League table credit is allocated in full value to both buy side and sell side advisors.  For private or non-public transactions, the value is the full deal value to both buy and sell side advisors.
<b>Value of U.S. municipal bonds underwritten</b>	<b>A</b> Dedicated purpose	U.S. municipal bonds where proceeds are intended primarily for the public provision of social and/or environmental services	RBC Sustainable Finance Framework	League table credit is allocated to each bookrunner or credit manager for their portion of the principal amount of the offering.
<b>Tax credit investments closed</b>	<b>A</b> Dedicated purpose	Low Income Housing Tax Credit (LIHTC) equity investments and Renewable Energy Tax Credit (RETC) equity investments	RBC Sustainable Finance Framework	RBC's direct and syndicated investments

Metric	Category	Description	Applicable Industry Guidelines	Reporting Basis
Derivatives provided to eligible clients and projects	A Dedicated purpose	Derivatives provided for designated green and/or social loans; and/or for designated green, social, and/or sustainability bonds	APLMA/LMA/LSTA Green & Social Loan Principles  ICMA Green & Social Bond Principles  ICMA Sustainability Bond Guidelines  RBC Sustainable Finance Framework	Total amount of stand-alone credit line utilization at the time of execution of the trade
		Derivatives provided for eligible green, decarbonization and/or social activities	RBC Sustainable Finance Framework	
	B General corporate purpose – pure play	Derivatives provided to entities whose core business comprises eligible green, decarbonization and/or social activities	RBC Sustainable Finance Framework	
	C General corporate purpose – sustainability-linked	Designated derivatives where the terms of the instrument are structured to incentivize the client to meet sustainability targets	APLMA/LMA/LSTA Sustainability-Linked Loan Principles  ICMA Sustainability-Linked Bond Principles  RBC Sustainable Finance Framework	
Green, social and sustainability bond holdings <sup>1</sup>	A Dedicated purpose	Designated bonds where proceeds are earmarked for green and/or social activities	ICMA Green & Social Bond Principles  ICMA Sustainability Bond Guidelines  RBC Sustainable Finance Framework	Incremental change in notional amount held as of current vs. prior fiscal year-end

<sup>1</sup> Proceeds raised from RBC's own issuance of green, social or sustainability bonds are not within scope.

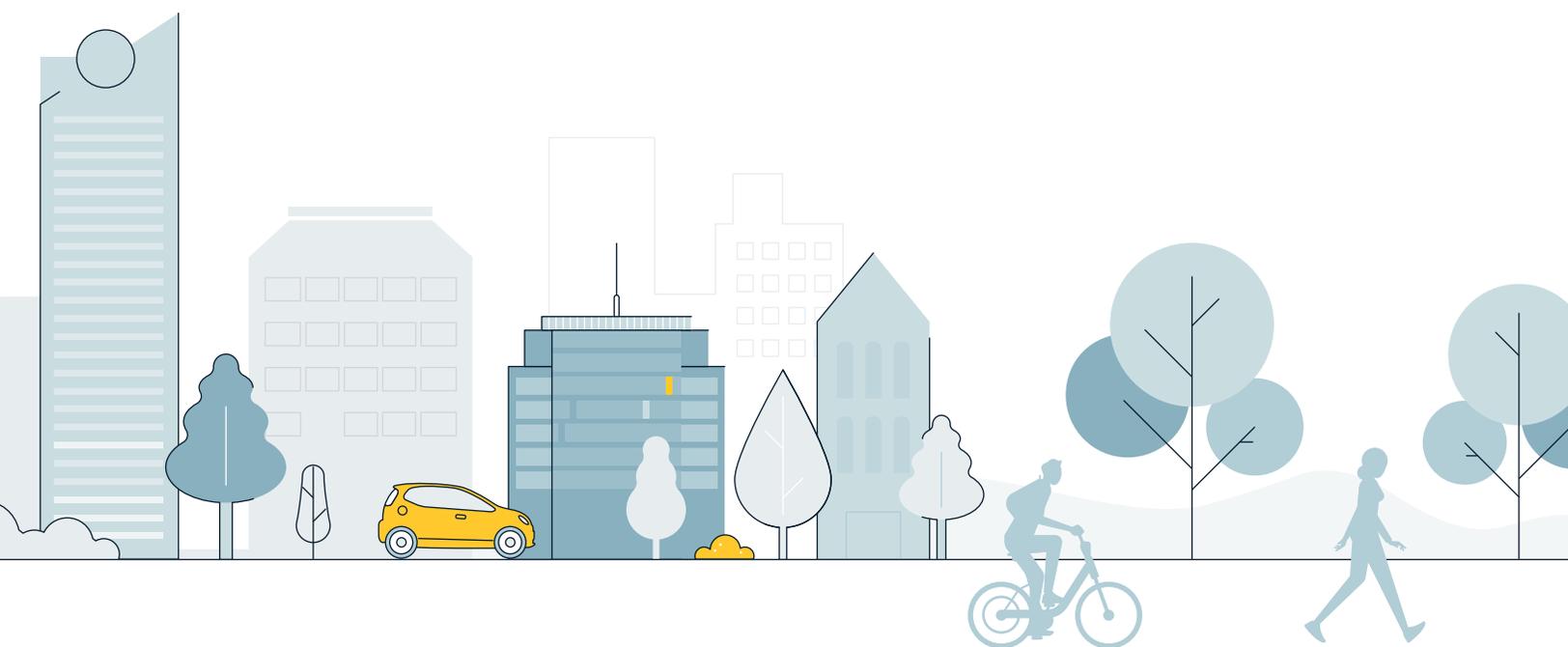
## 3.2 Reporting

We assess each transaction identified as sustainable finance under this Framework, using our own judgment and in our sole discretion, against the eligibility criteria in Section 2. We collect data from both internal and external sources<sup>1</sup> when reporting progress towards our sustainable finance commitment of \$500 billion by 2025. When reporting the cumulative total across multiple years, credit extended amounts represent the addition of authorized loan balances at the end of each fiscal year. The data reported are reviewed and approved by relevant business teams and subject to reviews by dedicated teams or committees with sustainability expertise where an additional review is required.

We report progress on our facilitation of sustainable finance annually in our ESG Progress Report and Climate Report, which are available on [our website](#). Our performance reporting includes the annual amount of sustainable finance facilitated as well as the cumulative amount since 2019.

We only report on activities we are able to measure and assess against the eligibility criteria in Section 2. As a result, as of the date of this Framework, our reporting does not capture the full value of the sustainable finance we provide annually. We strive to continuously enhance our ability to classify and track transactions that meet the eligibility criteria in the Framework, and report these activities in a more comprehensive way.

We are also committed to transparency and the integrity of our sustainable finance definition and methodology. As the sustainable finance market evolves and the amount of sustainable finance facilitated by RBC continues to grow, RBC intends to review the Framework at least every two years.



<sup>1</sup> Sources such as Bloomberg for public capital markets transactions.

# Environmental and Social Risk Management

## 4.1 Overview

One of RBC's core competencies is our ability to manage risk, which is supported by our risk-aware culture and risk management approach. We define environmental and social (E&S) risk as the potential for an E&S issue associated with us, a client, a transaction, a product, a supplier or an activity to have a negative impact on us, including our financial position, operations, legal and regulatory compliance, or reputation. It refers to the risk that we face as a result of the manner in which we, a supplier or a client manages E&S issues or relationships with stakeholders and communities.

Our Enterprise Policy on Environmental (including climate) and Social Risk (E&S Risk Policy)<sup>1</sup> serves as the foundation for our approach to managing E&S risks arising from our activities.<sup>2</sup> It outlines our principles for 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 policies and procedures on E&S risk management for business segments, which includes an enhanced due diligence process we undertake for certain corporate and commercial clients to identify E&S issues that may drive E&S risk for RBC. As an Equator Principles (EP) signatory, we adhere to the EP environmental & social risk management framework when we enter into project-related finance transactions.

We also have policy guidelines<sup>3</sup> in place for sensitive sectors and activities, which address our lending 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 United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Sites.

We seek to integrate E&S risk considerations into our risk management processes. We continue to evolve our approach to E&S risk by leveraging existing risk management capabilities, and where new capability builds are required, we incorporate regulatory guidance, industry best practices and improved data analytics to identify and assess, measure, manage, mitigate, monitor and report on potential impacts to our clients, portfolios and operations.

For more information on our approach to managing environmental and social risk, please visit [our website](#).

<sup>1</sup> The E&S Risk Policy is not inclusive of the activities of, and assets under management by, RBC Global Asset Management (RBC GAM). RBC GAM has developed its own policy with respect to these matters.

<sup>2</sup> For clarity, our E&S Risk Policy serves as the enterprise foundation for RBC's approach to E&S risk management; it does not include direct oversight of risks, activities and individual transactions specific to sustainable finance.

<sup>3</sup> See RBC's Policy Guidelines for Sensitive Sectors and Activities, which addresses our lending activities.

