

Environmental, Social and Governance Discussion

PHILLIPS, HAGER & NORTH
Investment Management®

ESG/Responsible Investment

What it isn't, What it is

ESG is not:

- ✗ Socially Responsible Investing (SRI)
- ✗ Ethical Investing
- ✗ Values-based judgments of a security or sector
- ✗ Negative screening to eliminate companies or sectors
- ✗ Fossil Free or Carbon Light

ESG is:

- ✓ Enhanced analysis of companies through ESG integration
- ✓ Better understanding of risk and opportunity
- ✓ Stewardship: proxy voting and company engagement
- ✓ Working with other managers and owners to address ESG issues

Our Approach to ESG

ESG is about reducing risk and enhancing returns

- Tool for identifying/avoiding risk, but also for identifying opportunities

We generally don't exclude sectors or securities

- SRI funds available for investors who want to exclude certain sectors/securities

Engagement is more powerful than divestment

- Our considerable scale uniquely positions us to encourage ESG-related improvements in our investee companies
- Proxy voting is an important tool to reinforce our engagement efforts

What is RBC GAM/PH&N IM Doing on ESG?

Created Corporate Governance & Responsible Investment Group (CGRI)

- Mandate to more formally integrate ESG across our investment platform
- Progress reported through annual and semi-annual reports
- Adding resources to Proxy Voting team

Developed an “Approach to Responsible Investment”

Signed UN Principles of Responsible Investing (UN PRI)

- UN PRI transparency report rated RBC GAM “Strategy & Governance” a score of A+
- Obtained A+ in “Listed Equity” – Active Ownership

Canadian Coalition of Good Governance (CCGG)

- Founding member
- GAM’s CIO is member of Board, and former Chair

ESG integration across all investment teams

Alternative Sources of Value Creation

A company is more than its numbers

- Financial capital is not the only capital source. Alternative capital comes from customers, suppliers, community etc.
- But this is largely ignored by traditional financial reporting and by investors

Take care of inputs... outputs will follow

- Strong ESG creates healthier overall capital, leads to more sustainable businesses and ultimately delivers superior financial results

Ownership mindset

- Marry fundamental & non-financial analysis to identify mispriced businesses
- We recognise that non-financial analysis is underappreciated by the market and a source of alpha



Our Approach to ESG and Responsible Investment

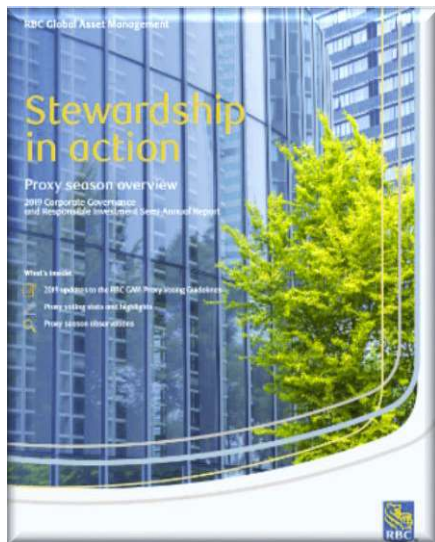
Reducing Risk and Improving Returns



- Integrating ESG can help identify risk, but also identify and enhance investment opportunities
- Engagement is an essential part of Responsible Investment, and is more powerful than divestment or exclusion. Our scale increases our influence
- We advocate on legal and regulatory initiatives for investors, including disclosure to protect investors and foster fair and efficient capital markets





Commitments Include:

- UN Principles of Responsible Investment Signatory
 - A+ Grade in 2019
- Founding Member of the Canadian Coalition of Good Governance
- 30% Club Investor Group
 - Objective of a minimum of 30% women on boards and at the executive management level by 2022



ESG integrated in competitive dynamics

Identify businesses operating in a responsible and sustainable manner

Business	Rating	Weight	Purpose	
	Orsted	A1	2.3%	<ul style="list-style-type: none"> Leading the transition to sustainable energy solutions Global leader in offshore wind (30% market share) Ranked #1 on Global 100 Most Sustainable Corporations list¹
	Neste	A1	1.6%	<ul style="list-style-type: none"> Largest producer of recycled jet fuel refined from waste Produce 60% of the worlds total renewable diesel Ranked #3 on Global 100 Most Sustainable Corporations list¹
	EOG	A1	3.1%	<ul style="list-style-type: none"> Strong engagement; emission reduction goals tied to compensation Reduction in methane emissions intensity rate (>45%)² Increasing percentage of reuse water (>20%)²
	Microsoft	A1	4.3%	<ul style="list-style-type: none"> Aims to be carbon negative by 2030; remove all since '75 by 2050 Powering data centers with 60% renewable energy by year end Launching new \$1 billion climate innovation fund

¹Corporate Knights 2020 Global 100 Most Sustainable Corporations list: Methodology is based on key performance indicators covering resource management, employee management, financial management, clean revenue and supplier performance

²Change from 2017 to 2018