



HRPUKGAMC2-EN

RBC Global Asset Management (UK) Limited Remuneration Policy - UK

Compensation (UK)
RBC Human Resources
September 2023

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Ownership, Approval and Review Schedule

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1 Policy Summary and Rationale

The purpose of this policy (the “Policy”) is to set out the remuneration principles and procedures which apply to employees of RBC Global Asset Management (UK) Limited (“RBC GAM”).

Remuneration plays a critical role in attracting, engaging and retaining the talent that drives RBC’s high performance culture, enables the achievement of strategic goals and generates sustainable shareholder return.

The Policy incorporates standards ensuring alignment of the compensation structures with business objectives, market trends and the long-term interests of shareholders and other RBC stakeholders including its regulators, clients and counterparties.

The Policy complies with applicable remuneration regulations set out in the MIFIDPRU Remuneration Code of SYSC 19G of the FCA Handbook.

2 Scope

This Policy applies to RBC Global Asset Management UK Limited along with any branches and subsidiaries and, where applicable, other entities in the same regulatory consolidation group.

Without limitation, this Policy applies in addition to (and without limiting the terms of):

- all other policies operated by the RBC group on a global/Enterprise basis;
- the terms of applicable Compensation Programs operated by the RBC group;
- additional policies operated by RBC in Europe; and
- the terms of individual employee’s contracts.

In each case all of these other policies and terms will apply as amended from time to time.

This Policy may impose requirements or conditions that are stricter or more onerous than other policies or terms – and that these more onerous requirements or conditions would therefore apply to all employees who are subject to this Policy.

In addition, from time to time additional remuneration policies and/or plans may be adopted for specific business units and/or groups of employees, and some employees may therefore also be subject to any such additional policies and/or plans.

3 Definitions

“Compensation Program”	means a compensation program operated by RBC from time to time
“Employee”	has the meaning given in the Remuneration Rules, including a director or employee of Global Asset Management UK Limited, or an RBC employee employed by another entity but who undertakes a role for Global Asset Management UK Limited
“MRT”	Material Risk Taker
“RBC”	means the global Royal Bank of Canada group
“RBC GAM UK”	means Global Asset Management UK Limited and the employees of which are subject to this Policy
“RBC GAM UK HRC”	means the UK Human Resources Committee of the Board of Directors of RBC Global Asset Management UK Limited, which for the avoidance of doubt acts as a remuneration committee in addition to providing oversight of other Human Resources initiatives.
“Remuneration Rules”	means, SYSC 19G of the FCA Handbook;

4 Compensation Philosophy and Principles

RBC's approach to compensation is guided by our vision of being among the world's most trusted and successful financial institutions and our purpose of helping clients thrive and communities prosper. Our compensation philosophy aims to:

- Provide competitively positioned total compensation opportunities (including base salary and variable compensation) that attract, retain and motivate individuals who have the key skills, capabilities and commitment needed to achieve RBC's objectives;
- Drive a high-performance culture by providing highly competitive total compensation opportunities to reward superior individual contribution and the achievement of superior business results;
- Link employee interests to the achievement of top quartile shareholder returns that lead to long-term value creation, with senior employees having significant share ownership requirements.

RBC Compensation Programs are designed to align employee interests, with the achievement of performance objectives and strategic goals within RBC's risk appetite, to drive superior financial performance.

RBC's approach to compensation is based on five guiding principles:

1. Compensation aligns with long-term shareholder interests

- Awards vary based on the absolute and relative performance of RBC.
- Mid and long-term incentives vest and pay out over time, encouraging a longer-term view of increasing shareholder value.

2. Compensation aligns with sound risk management principles

- Our risk management culture is reflected in our approach to compensation. Our compensation practices appropriately balance risk and reward, and align with shareholder interests.
- Performance of individuals, business segments and RBC overall is assessed based on a number of measures, including adherence to risk management policies and guidelines.

3. Compensation rewards performance

- Our pay-for-performance approach rewards employees for their contributions to individual, business segment and enterprise results relative to objectives that support our business strategies for sustainable growth over short, medium and long-term horizons, which are aligned with RBC's risk appetite.

4. Compensation enables us to attract, engage and retain talent

- Talented and motivated employees are essential in creating value for our clients and to building a sustainable future for RBC. We offer compensation that is competitive within the markets where we operate and compete for talent.
- Compensation programs reward employees for high performance and their potential for future contribution.

5. Compensation rewards behaviours that align with our values and drive exceptional client experiences

- RBC values, embedded in our Code of Conduct, form the foundation of our culture and underpin our ongoing commitment to putting our clients' needs first and delivering value for all of our stakeholders.
- We consider risk conduct and compliance with policies and procedures in determining our performance-based compensation.

5 Pay Equity

RBC is committed to the principles of pay equity and undertakes actions to prevent pay disparities between employees performing work of equal or comparable value. RBC addresses pay equity concerns identified in the year-end pay decision-making process through pay adjustments, where it is concluded that individual factors do not explain a difference in pay. Outside the annual compensation review process, RBC reviews compensation when employees move to new roles, taking into account external and internal pay benchmarks and the skills and experiences the new incumbent brings to the role.

6 Compensation Risk Management Principles

RBC's approach to compensation risk management is aimed at ensuring compensation aligns with the short, medium and long-term interests of RBC shareholders as well as regulatory guidance defined by Financial Stability Board (FSB), European Banking Authority, Prudential Regulation Authority and/or Financial Conduct Authority.

All employees have a part to play in promoting a strong risk culture built on RBC's values, as set out in the RBC Code of Conduct. These values are embedded in the recruitment, promotion, learning, leadership development and compensation practices. Adherence to company policies and processes, including the RBC Code of Conduct, is taken into account in determining performance-based compensation. Additionally, the board and management consider potential risks associated with compensation arrangements and take into account risk accountabilities and ethical behaviours as part of performance evaluations and compensation decisions. RBC GAM UK aims to provide an appropriate remuneration environment and to ensure that employees are not incentivised to take inappropriate and/or excessive risks including, where appropriate, sustainability risks which are inconsistent with the risk profile of RBC GAM UK.

7 Compensation Package and Pay Mix

Compensation plays a critical role in addressing overall talent needs by recognising employees' proficiency, performance and potential for future contributions.

The compensation program is made up of fixed compensation and benefits (reward for fulfilling the job requirements) and variable compensation designed to incentivize employees to demonstrate achievement in terms of results and behaviours, reward them for that achievement, and encourage them to remain with RBC.

- Fixed compensation reflects responsibility of the job and recognises the skills and proficiency that the employee brings to the job, in addition to the ongoing contribution made. Total fixed compensation is comprised of a base salary, allowances and other payments as appropriate to the local market practice.
- Performance-based variable compensation is awarded on the basis of business results (both locally and globally) as well as individual contribution and performance and may vary on a business by business basis relative to established performance objectives that are aligned with the risk appetite of RBC.
- The range of benefits are designed to support employees' and their families' physical and emotional health and wellbeing throughout their active career as well as retirement; RBC does not pay discretionary pension benefits.

7.1 Variable to Fixed Compensation Ratio

RBC continues to provide a significant portion of remuneration in variable performance-based incentive cash and share based awards to create a clear relationship between pay and performance. RBC seeks to align its fixed to variable compensation ratio with market practice, recognising the importance of attracting and retaining highly talented and motivated employees who are key to building a sustainable business.

Fixed and variable components are appropriately balanced and fixed compensation is sufficiently high to recognise the possibility of paying a zero bonus. Within control functions the compensation is predominantly fixed and a lower proportion in variable compensation is awarded.

8 Variable to Fixed Compensation Ratio

8.1 Variable Compensation – Risk Adjustment

Variable compensation pools may be adjusted on a discretionary basis for both financial and non-financial risk, taking into account the financial soundness of RBC and the impact on RBC's ability to strengthen its capital base.

Adjustments may be applied to an entire Compensation Program, only to certain business units within a Compensation Program, or only to certain employees, depending on the underlying nature of the assessed risk, actual performance and risk outcomes.

8.2 Variable Compensation – Individual Allocation

Individual variable compensation awards are determined taking into account RBC, business unit and individual performance evaluated using both financial and non-financial measures including:

- Individual performance such as employee contribution to the business result, achievement of individual performance objectives, behaviours that align to the Code of Conduct and leadership model, adherence to risk management and compliance policies;
- Business metrics which include financial performance of relevant business unit and business line or for control functions, the achievements and objectives of the function as well as, where applicable, sustainability risks facing RBC GAM UK and specific funds or mandates;
- Financial performance of RBC.

Performance measures for senior employees in Compliance, Finance, Law Group, Group Risk Management, Internal Audit and Human Resources are based on the achievements and objectives of the functions, and their compensation is determined independently from the performance of the specific business areas they support, therefore avoiding any potential conflict of interest. Employees in these functions, regardless of level, will have their compensation set by individuals independent of the businesses areas that they support.

Individual variable compensation awards may be adjusted downwards where disciplinary sanction is taken for breaches of the RBC Code of Conduct.

8.3 Variable Compensation – Payment

8.3.1 Deferral

Consistent with sound compensation practices to ensure a portion of variable compensation is linked to the creation of longer-term shareholder value, a portion of any allocated award may be payable on deferred terms.

The portion of any award that shall be subject to deferral is determined for all employees at a minimum in accordance with the applicable Enterprise level deferral criteria and by their Compensation Program.

Deferred awards may include but are not limited to deferred payments of cash and/or RBC Share Unit Awards.

8.3.2 Variable Compensation – Forfeiture and Clawback

Variable remuneration awarded to employees may be subject to forfeiture and clawback, under which RBC may recoup incentive compensation awards that have already been paid (“clawback”) and/or cancel or reduce unvested incentive awards (“forfeiture”) in certain situations, including, but not limited to, there being a material failure of risk management or reasonable evidence of misconduct, as well as, in the case of forfeiture, payment of incentive awards not being justified on the basis of performance of RBC, the business unit or the individual.

8.3.3 Variable Compensation of Material Risk Takers

Any variable remuneration awarded to RBC GAM UK MRTs complies with the remuneration rules defined in the relevant sections of the FCA Handbook.

8.4 Other Compensation Elements

8.4.1 Retention Awards

Retention awards shall only be made RBC GAM UK MRTs in respect of the occurrence of a specific event or after a specified period of time and only then in exceptional circumstances.

8.4.2 Replacement Awards

Awards may be made to new hires to replace compensation forfeited upon leaving their old employment; the terms of the replacement awards shall be no more beneficial in terms of retention, deferral, vesting and ex-post risk than the terms of the compensation forfeited.

8.4.3 Guaranteed Variable Remuneration

Guaranteed bonuses may only be offered to new employees in exceptional circumstances and only then for a period that does not exceed the first 12 months of service and in cases where RBC has a sound and strong capital base to support the award.

8.4.4 Severance

In the event of an early termination of the employment contract, RBC provides a severance payment to fulfil its statutory obligations and to support the transition of an employee from their RBC employment. Severance payments shall not reward failure or misconduct.

8.4.5 Pension

Employees may participate in pension arrangements in accordance with their contractual arrangements. RBC does not pay discretionary pension benefits.

9 Governance

9.1 Governance

The RBC GAM UK HRC is responsible for RBC GAM UK’s application of RBC’s compensation principles and its compensation practices and processes. The RBC GAM UK HRC reviews the compensation policies which support GAM UK’s business objectives and take into appropriate account sound risk management practices, including long term and short-term risk.

The RBC GAM UK HRC is responsible for approving the Policy.

During the year, the RBC GAM UK HRC receives advice from the Human Resources, Compliance, Finance and Risk Functions, who provide advice on the implications of the compensation policy on risk and risk management, and on the adjustments that should be made to levels of variable compensation payable to staff, at both a pool and individual level, to take into account all relevant current and future risks.

The RBC GAM UK HRC takes full account of RBC GAM UK's strategic goals in applying its compensation policy and is mindful of its duties to shareholders and other stakeholders. The RBC GAM UK HRC seeks to preserve shareholder value by ensuring alignment of variable compensation payouts with risk (including where relevant sustainability risk) and economic performance, as well as the successful retention, recruitment and motivation of employees.

Certain teams such as RBC GAM UK's investment teams have formal environmental, social or governance (ESG) investment-related objectives included as part of their broader individual annual performance review. The ESG-related objectives are designed to be relevant and appropriate to the function and role individuals have within RBC GAM. ESG related objectives are not assigned an explicit weighting and the assessment is done at the discretion of the individual's line manager and approved by the global Chief Investment Officer for RBC GAM's investment teams.

9.2 Material Risk Takers

RBC GAM UK MRTs are identified in accordance with the RBC GAM UK Identifying MRTs Standard – UK, under the following criteria:

- Senior Managers – GAM Board members, SMFs or equivalent;
- Risk Takers – heads of significant UK business lines, head of risk and employees with delegated risk approvals from the head of risk; and
- Staff responsible for control functions.

9.3 Conflicts

The remuneration policies and procedures operated by RBC are designed in order to avoid conflicts of interest. In addition, all RBC employees are subject to the Code of Conduct (including the specific clauses within the code around avoiding and managing conflicts of interest).

9.4 Compliance and Personal Investment Strategies

Employees are prohibited from entering into personal hedging strategies which may undermine the risk alignment effects embedded within RBC's compensation policies.

10 Roles and Responsibilities

RBC manages risk proactively by following the Three Lines of Defence Governance Model. This model supports sound risk management as a shared responsibility, requiring leadership support, individual commitment from employees and managers (First Line of Defence), support from functional groups such as Human Resources, Group Risk Management and Finance (Second Line of Defence) and independent assurances of policy effectiveness from internal audit (Third Line of Defence). This section outlines the roles and responsibilities of each group.

10.1 First Line of Defence

Managers and business leaders must work with Human Resources to ensure compensation arrangements are aligned with the Policy and that employees are sufficiently informed about their compensation arrangements.

10.2 Second Line of Defence

Human Resources is responsible for supporting the development and application of appropriate plans, policies and arrangements in compliance with the Policy, providing oversight of First Line compensation practices and, in collaboration with Group Risk Management and Compliance, reviewing situations involving Misconduct and application of the Policy.

Group Risk Management and Human Resources provide second line oversight and challenge on compensation impact in a situation involving Misconduct.

The Law Group is responsible for providing legal advice with regards to the development and application of the Policy, and Finance is responsible for assessing financial impact and determining compensation impact in a situation involving financial restatement.

10.3 Third Line of Defence

Internal Audit Services provides independent assurance on an annual basis that the Policy requirements are fulfilled through the annual review of compensation risk management practices.

11 Monitoring for Effectiveness and/or Reporting Requirements

Human Resources are responsible for monitoring and interpreting the application of this Policy and for ensuring that aligns to the requirements of the FCA.

12 Exceptions, Breaches and Escalation

Any exceptions to the terms as outlined in the Policy must be approved by the RBC GAM UK HRC. Exceptions are granted by taking into account any and all relevant factors defined in Section 6. When requesting an exception, as much information as possible regarding the exception must be given to the RBC GAM UK HRC, who will carry an assessment based on all of the facts available.

Exceptions to this Policy will be on a case-by-case basis and therefore will generally not require regular review. Where it is necessary, Human Resources will carry out a review of exceptions, and this will take place as required, or at least annually with the review of this Policy.

Exceptions will not be allowed where the exception will breach or will otherwise be in conflict with a regulation or law.

13 Miscellaneous

This Policy may be amended, replaced or terminated by RBC without notice from time to time.

All elements of remuneration referred to in this Policy other than fixed pay provided under an employee's employment contract are non-contractual, and receipt of variable compensation in one year is no indication of what (if any) variable compensation would be paid in any other year.

In the event of a conflict between this Policy and other policies, the other policies will take precedence.

14 Non-Substantive Changes

Non-substantive changes to this Standard will be approved by the Senior Vice President, Compensation and Benefits.

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