

RBC ESG Market-Linked GIC



Participate in the returns of global companies committed to environmental, social and governance (ESG) values while your principal remains 100% protected.

The RBC® ESG Market-Linked GIC delivers the security of a guaranteed investment certificate (GIC), but with the higher return potential associated with equities and a filtered portfolio of organizations that exhibit positive ESG metrics.

What is ESG investing?

Traditional investment approaches are based largely on studying financial factors, such as earnings, profit margins and debt levels. However, in recent years, there has been a growing focus on looking beyond the balance sheet. ESG investing is a strategy that considers environmental, social and governance factors alongside financial factors in the investment decision-making process.



Climate change
Natural capital
Pollution & waste
Environmental opportunities



Human capital
Product liability
Stakeholder opposition
Social opportunities



Corporate governance
Corporate behaviour

Companies with strong ESG-related practices can create value in several ways¹:



Top-line growth



Cost reductions



Regulatory and
legal interventions



Productivity uplift



Investment &
asset optimization

Referencing an ESG-focused index, the RBC ESG Market-Linked GIC creates returns with social consciousness

The RBC ESG Market-Linked GIC is linked to the **MSCI World ESG Quality Select Low Volatility 8% Risk Control 3% Decrement Index** (the “Reference Index”) developed by MSCI Inc., a leading provider of financial indexes, multi-asset class research and risk analytics. This globally diversified index is aimed at ESG-conscious investors seeking a strategy based on companies that exhibit positive ESG metrics, low carbon impact and durable business models.

The RBC ESG Market-Linked GIC provides the following benefits:

- **Higher return potential.** Participate in the gains of the Reference Index and potentially earn a higher return than you would with a traditional GIC.
- **Peace of mind.** Get 100% of your original investment amount back at maturity.
- **Simplicity.** Principal protection and growth potential in one solution.

5 reasons the RBC ESG Market-Linked GIC may be right for you

This GIC may be an appropriate choice if you:

1. Are an ESG-conscious investor
2. Want the potential to earn a higher rate of return than traditional GICs offer
3. Want peace of mind knowing 100% of your principal investment is guaranteed
4. Will not need access to the money invested in the GIC during its term
5. Are willing to accept a variable, rather than guaranteed, rate of return

How returns are calculated

With the RBC ESG Market-Linked GIC, the investment's return will depend on whether and how much the Reference Index increases over the term. Unlike a traditional GIC, the return is not guaranteed. However, the underlying principal investment is always 100% guaranteed.

The calculation of the return (the "Variable Return Payment") is based on three main factors:

- **Index Settlement Level (ISL):** The average month-end closing value of the Reference Index for the 12 months prior to maturity. This helps to even out the impact of market highs and lows.
- **Index Base Level (IBL):** The closing value of the Reference Index on the second business day after the GIC issue date.
- **Participation Factor (PF):** The percentage at which the GIC will participate in the Reference Index's price return.

The formula below is used to calculate your Variable Return Payment:

Formula:

$$\text{Principal} \times \frac{(\text{ISL} - \text{IBL})}{\text{IBL}} \times \text{PF}$$

For example, let's say you invest \$10,000 in a 4-Year RBC ESG Market-Linked GIC, with a Participation Factor of 50% and an Index Base Level of 1,000. If after four years, the Index Settlement Level is 1,364, then your Variable Return Payment would be calculated as:

$$\$10,000 \times \frac{(1,364 - 1,000)}{1,000} \times 50\%$$

Variable Return Payment = \$1,820 (or 4.3% compound annual rate of return)

At maturity, you would receive your original principal of \$10,000 plus the Variable Return Payment of \$1,820, for a total of \$11,820. The higher the Reference Index rises, the higher the Index Settlement Level will rise and the higher your return will be.

Using this same example (i.e., a \$10,000 principal investment, a 50% Participation Factor, and an Index Base Level of 1,000), if after four years the Index Settlement Level drops to 865 instead of increasing, your Variable Return would be set to zero. In such cases, where the Reference Index performs negatively and the Index Settlement Level decreases below the initial Index Base Level, you will not earn any return, but your principal will be fully guaranteed. Using the example above, that means that your full \$10,000 principal would be returned at maturity.

In addition to the Index Settlement Level, your variable return is also affected by the Participation Factor, which is set at the time of purchase by RBC and is dependent on market conditions.

Before you invest...

As with any investment choice, it's important that you make a fully informed decision. With the RBC ESG Market-Linked GIC, you should be aware of the following:

- Past performance of the Reference Index is not indicative of future returns.
- Investing in this type of GIC is not the same as investing directly in the stocks of the Reference Index. For example, you will not receive any dividends or distributions, as you might if you were a direct shareholder of one or more companies in the Reference Index. The return on your GIC (if any) will not be identical to the return (if any) associated with the Reference Index.
- RBC will determine the Variable Return and may exercise judgment and discretion in calculating it. RBC's calculations and determinations will be final. Potential conflicts between the interests of the depositors and the interests of RBC may arise.
- Any RBC ESG Market-Linked GIC deposit made over the phone may be cancelled by notifying us within two days of receipt of this fact sheet and confirmation.
- Unlike most traditional GICs, this GIC does not pay interest periodically (e.g. monthly, semi-annually, annually). Your principal, along with any variable return payment earned on the principal, will be repaid to you as a single payment at the end of your GIC's term, provided you have instructed us to pay out your funds.

Highlights

Term	4 and 6 years (non-redeemable and non-transferable)
Minimum deposit	\$1,000
Underlying investment	MSCI World ESG Quality Select Low Volatility 8% Risk Control 3% Decrement Index
Variable Return Payment	Variable return will be calculated using the formula explained on page 2 and will be used to calculate your payment at maturity
Plan/account eligibility	Available for RRSPs, TFSAs, RESPs, RDSPs and non-registered investment accounts
CDIC-eligible	Yes

Staying in the know

The confirmations, regular statements and maturity notices RBC sends out will make it easy for you to keep track of your investments. After purchasing your GIC, you can find out its estimated current value by using the online **RBC Equity-Linked GICs Return Calculator** available on our public website at rbcroyalbank.com/gic.

For more information on RBC's Equity-Linked GICs, visit an RBC branch, call 1-800-463-3863 or go online to rbcroyalbank.com/gic.



The RBC ESG Market-Linked GIC is offered by Royal Bank of Canada, Royal Trust Corporation of Canada and The Royal Trust Company.

¹ <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value#>

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