

# Client Agreement

## Guaranteed Investment Certificate (GIC)



### Special Conditions – RBC ESG Market-Linked GIC

The **RBC® ESG Market-Linked GIC** is a principal-protected note through which you deposit a principal amount and are eligible to earn a Variable Return Payment (as described below).

These **Special Conditions** supplement our Client Agreement – Guaranteed Investment Certificate (the “**Agreement**”) that you have entered into with us and set out the terms under which you can purchase an RBC ESG Market-Linked GIC (the “**Deposit**”). In case of conflict between these Special Conditions and the Agreement, these Special Conditions will prevail.

#### 1. What the Words Mean

When these Special Conditions refer to “**you**” and “**your**”, they mean any person in whose name a Deposit is held. If you hold a Deposit with others, it means each of those persons, individually and together. If a Deposit is held within a Royal Bank of Canada Retirement Savings Plan, Education Savings Plan, Disability Savings Plan or Tax-Free Savings Account (“**Registered Plan**”), then you are the annuitant, subscriber or holder of the plan, as may be applicable. When these Special Conditions refer to “**we**”, “**our**” and “**us**”, they mean the Royal Bank of Canada (the Bank) if a Deposit is with the Bank and Royal Trust Corporation of Canada, or in Quebec, The Royal Trust Company (Royal Trust), if a Deposit is with the Royal Trust.

“**Base Index**” means the MSCI World ESG Quality Select Low Volatility Net Total Return Index, an index developed by MSCI Inc. (“**MSCI**”).

“**Business Day**” means a day on which our main branch in Toronto, Ontario is open for business. If any date on which any action is otherwise required to be taken is not a Business Day, the date on which such action shall be taken shall, except as otherwise indicated, be the next following Business Day.

“**Component Securities**” means the securities listed in a given index described in these Special Conditions (i.e., either the Base Index or the Reference Index, as relevant).

“**Decrement**” means an adjustment made to the daily performance of the Reference Index to target a 3% dividend yield for the Reference Index in order to reduce dividend uncertainty.

“**Deposit**” has the meaning given to it above.

“**Exchange Day**” means, in respect of the Reference Index, a day which is a trading day on each of the principal exchanges and related exchanges for the securities of the entities composing the Reference Index or related contracts, options or instruments, including a day on which trading on such an exchange is scheduled to close prior to its regular closing time.

“**Index Base Level**” means the closing level for the Reference Index on the second Business Day following the Investment Date for a Deposit.

“**Index Settlement Level**” means the average of the month end Business Day closing levels for the Reference Index for the twelve (12) month period immediately preceding the Maturity Date for a Deposit. If any such day is not an Exchange Day for the Reference Index, closing levels for the next Business Day which is also an Exchange Day will be used.

“**Investment Date**” means the investment date for a Deposit, as indicated on its certificate or confirmation notice we provide to you.

“**Maturity Date**” means the maturity date for a Deposit, as indicated on its certificate or confirmation notice we provide to you.

“**Participation Factor**” means the percentage rate we set at the time the Deposit is purchased based on our assessment of market conditions. The Participation Factor for a Deposit is indicated on its certificate or confirmation notice we provide to you.

“**Reference Index**” means the MSCI World ESG Quality Select Low Volatility 8% Risk Control 3% Decrement Index, an index developed by MSCI, which uses the Base Index and applies a Volatility Target Mechanism to stabilize the realized volatility at or around 8%, and a Decrement to target a 3% dividend yield.

“**Registered Plan Payment**” has the meaning given to it in paragraph a) of Section 5, below.

“**Savings Deposit**” means an interest-bearing deposit of funds that is held within an RBC Registered Plan.

“**Special Circumstances**” means the special circumstances described in Section 8 of these Special Conditions.

“**Variable Return**” means, subject to any Special Circumstances that have occurred, the result calculated in accordance with the following formula and expressed as a percentage rate:

$$\frac{\text{Index Settlement Level} - \text{Index Base Level}}{\text{Index Base Level}} \times \text{Participation Factor} = \text{Variable Return}$$

*If the Variable Return, calculated in accordance with the above formula, is a negative percentage rate, the Variable Return will be zero.*

“**Variable Return Payment**” means the amount, expressed in dollars and cents, equal to the product obtained by multiplying the principal amount of the Deposit by the Variable Return. If the Variable Return is zero, this amount will be zero.

“**Volatility Target Mechanism**” means the risk-reduction strategy that rebalances between a risky asset and cash in order to target a constant risk level over time with a view to maintaining a predefined risk-reward profile by controlling volatility.

The other words used in these Special Conditions have the same meaning we have given to them in the Agreement. You will refer to the Agreement if you need to when reading those words.

## 2. General

These Special Conditions will form part of the Agreement and will apply to each Deposit. It replaces all prior agreements between you and us for each such Deposit. If there is a conflict between these Special Conditions and the Agreement, these Special Conditions will prevail.

## 3. At Maturity

This product cannot be renewed. If the Deposit is not held within a Registered Plan, upon maturity we will pay out your principal and the Variable Return Payment, if any, in accordance with your instructions.

If the Deposit is held within a Registered Plan, the principal and return will be credited to a Savings Deposit within the plan. Accordingly, all provisions of the Agreement relating to renewal are amended to the extent necessary to adapt to these Special Conditions.

## 4. Payments

- a) **Principal:** We will repay or renew a Deposit, together with any unpaid Variable Return Payment earned on it during its term, in accordance with the Agreement and these Special Conditions.
- b) **Interest:** We will not pay interest on a Deposit during its term. Accordingly, the Interest section of the Agreement will not apply to any deposit to which these Special Conditions apply.
- c) **Variable Return Payment:** We will pay the Variable Return Payment (if any) earned on a Deposit at the end of its term only.

There is no Variable Return payable unless the Index Settlement Level is greater than your Index Base Level. The Participation Factor, set at the time of purchase, will limit the amount of the Variable Return. This factor is necessary so that your principal is guaranteed while providing the potential of higher returns. The Payment and Renewal section of the Agreement will apply to the payment (if any) as if it were an interest payment.

## 5. Registered Plan Redemptions

If this Deposit is held within a Registered Plan, we will redeem the Deposit in full and you will not receive any Variable Return Payment if:

- a) You direct a payment or withdrawal of any kind from the Registered Plan or we are otherwise required by law to make a payment (“Registered Plan Payment”), and
- b) There is not sufficient cash or other investments in the Registered Plan which we can redeem or sell to make the Registered Plan Payment in full without using part or all of this Deposit.

It is your responsibility to give instructions and to make certain there is sufficient cash in the Registered Plan to make a Registered Plan Payment in full. If you fail to do so, you understand we may redeem the Deposit in full since we will not process partial redemptions if a Registered Plan Payment must be made from the Deposit. We will invest any funds remaining from the redeemed Deposit in a Savings Deposit within the Registered Plan.

## 6. Redemptions

If a Deposit is held outside a Registered Plan, there may be instances where we will be required by law to make a payment, such as to a judgment creditor. You understand we may redeem the Deposit in full since we will not process partial redemptions, which will result in no Variable Return or Variable Return Payment for the entire time you held the Deposit. We will invest any funds remaining from the redeemed Deposit in a One Year Redeemable GIC at the then prevailing interest rate and upon the terms and conditions applicable to such product at that time.

## 7. Disclosures

- a) **Term:** The term of the Deposit or the Maturity Date is indicated on the certificate or confirmation notice.
- b) **Fees:** There are no fees and expenses applicable to this Deposit.
- c) **Variable Return:** The method of calculating the Variable Return and any limitations in respect of the Variable Return Payment are described in *Sections 1 and 4(c)* above.
- d) **Risk Factors/Considerations:** The following are some risks and considerations associated with this Deposit:
  - i. No Variable Return will be payable on the Maturity Date unless the Index Settlement Level is greater than the Index Base Level;
  - ii. This Deposit will not give a guaranteed rate of return;
  - iii. The amount of the Variable Return Payment will depend upon the performance of the Reference Index. There is no assurance that the strategies employed by the Reference Index will be successful and there are risks associated with the strategies;
  - iv. The Deposit is not equivalent to a direct investment in the securities of the Reference Index and the Deposit does not entitle you to any interest in the securities of the Reference Index, including any right to receive dividend or distribution payments or the right to vote or attend shareholders’ meetings. As such the Deposit is subject to different risks than a direct investment in the securities of the Reference Index and any return payable will not be identical to the return associated with the securities of the Reference Index;
  - v. There is no guarantee that the Reference Index will achieve its volatility target due to, among other reasons, the time lag of the volatility control adjustments;
  - vi. The Reference Index may underperform the Base Index in periods of high volatility and positive performance, as the Reference Index is designed to allocate more of your investment to cash during periods of high volatility;
  - vii. Achieving and/or maintaining the volatility target does not mean the level of the Reference Index will not decrease in value. The level of the Reference Index may decrease in periods of low volatility and when the Reference Index volatility is at or below the target;

- viii. The Reference Index and Base Index are net total return indexes, which means that dividends paid on the Component Securities of both indexes are only reinvested after the deduction of the relevant withholding tax determined in accordance with the index methodology, which may be higher than the withholding taxes that would be incurred by any particular investor who invested directly in one or more of such Component Securities. Such withholding taxes will therefore reduce the positive impact from dividends paid, if any, on the Component Securities on the performance of both indexes;
  - ix. The Decrement feature of the Reference Index involves deducting a fixed percentage per annum from the daily Reference Index performance, and will therefore adversely affect the performance of the Reference Index. As a result of its Decrement feature, the level of the Reference Index may decline even if its Component Securities appreciate;
  - x. The Reference Index may underperform the Base Index in cases where the dividend yield of the Base Index is lower than the Decrement.
- e) **Differences from a Fixed Rate Investment:** Unlike a fixed rate investment, this Deposit will not provide a guaranteed rate of return. The return on this Deposit will depend on the performance of the Reference Index.
  - f) **Appropriateness:** This Deposit provides opportunities but may pose risks, which should be carefully considered. This Deposit is designed for those who wish to earn a higher rate of return than traditional deposits, such as fixed rate guaranteed investment certificates, and are willing to accept the risk of earning no return or a minimal return but at the same time wish to have their principal guaranteed.
  - g) **CDIC Insurance:** This Deposit is eligible for deposit insurance coverage by the Canada Deposit Insurance Corporation.
  - h) **No Redemption before Maturity:** Except as described in *Section 6*, a Deposit may not be redeemed until its Maturity Date.
  - i) **No Secondary Market:** This Deposit is not transferable. There shall not be any secondary market for this Deposit.
  - j) **Right of Cancellation:** You may cancel any purchase of a Deposit made by electronic means or by telephone by notifying us within two days of the earlier of actual receipt or deemed receipt of the written disclosures related to the Deposit. Upon cancellation, you are entitled to a refund of the Deposit, but if the Deposit was held within a Registered Plan, the Deposit will be credited to a Savings Deposit within the plan.
  - k) **Potential Conflict of Interest:** We will be responsible in most cases for determining the Variable Return and may exercise judgment and discretion in relation to the calculations and determinations undertaken in respect of the Variable Return Payment. Our calculations and determinations will (absent manifest error) be final and binding on you. Consequently, potential conflicts between the interests of the depositors and our interests may arise.
  - l) **Restrictions on Sale:** This Deposit may only be sold in Canada and to Canadian residents. It is subject to all other restrictions on a sale that may apply under federal or provincial laws.
  - m) **Currency:** This Deposit is in Canadian dollars. The redemption of the principal and the Variable Return Payment (if any) will be made in Canadian dollars.

## 8. Special Circumstances

- a) **Extraordinary Events:** You understand and agree that there is the possibility of the occurrence of a market disruption or other event beyond our reasonable control which has or will have a material adverse effect on our ability to calculate the Variable Return, to manage the related risk, or to otherwise perform our obligations under these Special Conditions. If such an event occurs, we may, acting reasonably, take such action as we deem necessary, including (without limitation) adjusting, advancing or delaying the calculation or payment of any Variable Return Payment.
- b) **Discontinuation or Modification of the Reference Index:** If, for any reason, MSCI ceases to calculate or publish the Reference Index or materially changes the numerical form of (or the method of calculating) the Reference Index, we may determine the Variable Return as we deem appropriate, including consulting independent calculation experts to make any necessary calculations they deem appropriate. If this happens, we will disclose this to you.

## 9. Availability of Information

- a) The information contained in Section 7 (Disclosures) above may be obtained on our public website at rbc.com and a paper copy may be made available upon request by visiting our branches or by calling toll free at 1 (800) 769-2511.
- b) If you wish to obtain an indication of the current or past value of your Deposit or its applicable index, you may do so by visiting our branches, by calling 1 (800) 769-2511 or by using our **RBC Equity-Linked GICs Return Calculator** on the GIC page of our public website at rbc.com. Note the actual return on your Deposit may only be determined on the Maturity Date.

## 10. MSCI Index Disclaimers

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