

Royal Bank of Canada

# Corporate Governance Framework

March 2022



## Table of contents

<b>Our approach to governance</b> .....	<b>3</b>
<b>The core principles that drive our approach</b> .....	<b>4</b>
<b>Our governance structure</b> .....	<b>5</b>
<b>Role of the board</b> .....	<b>5</b>
<b>Role of the board chair</b> .....	<b>6</b>
<b>Committees of the board</b> .....	<b>7</b>
Committee chairs .....	7
Audit committee .....	8
Risk committee .....	8
Governance committee .....	9
Human resources committee .....	9
External advisors .....	9
<b>Our approach to environmental, social and governance (ESG) matters</b> .....	<b>10</b>
<b>Our approach to subsidiary governance</b> .....	<b>11</b>
<b>The role of management</b> .....	<b>12</b>
Group executive .....	12
Oversight functions .....	13
Reporting and escalation of significant issues to the audit committee and risk committee .....	13
Disclosure controls and certifications .....	14
<b>Culture and conduct</b> .....	<b>15</b>
Our Code of Conduct .....	15
Financial reporting hotline .....	16
Conflicts of interest .....	16
Diversity and inclusion in action .....	16
<b>Board composition</b> .....	<b>18</b>
Board size .....	18
Independence of the board .....	19
Guidelines to address other professional activities .....	20
Board Interlock Policy .....	20
Finding the right director candidates .....	20
Majority voting .....	22
Tenure policy .....	22
<b>Board operations</b> .....	<b>23</b>
Meeting attendance .....	23
Helping directors succeed in their roles .....	24
Evaluating the board, committees, chairs and directors .....	25
Director compensation .....	27
Engaging with shareholders and other stakeholders .....	28
Interaction with regulators .....	28

## Our approach to governance

This framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Directors (the board) of Royal Bank of Canada (RBC or the bank), which together enable RBC to meet governance expectations of the Office of the Superintendent of Financial Institutions Canada (OSFI), the Canadian Securities Administrators (CSA) and the U.S. Securities and Exchange Commission (SEC).

We are committed to high standards of governance that are consistent with regulatory expectations and evolving best practices and are aligned with our strategy and risk appetite. We believe that good governance is not just about overseeing RBC and its practices, but doing so in a way that is transparent, accountable and ethical. It involves an independent board actively engaging with all stakeholders, knowing the business and its risks, constructively challenging management, understanding the opportunities and challenges of a changing industry and economy, and setting robust standards and principles that will guide RBC in delivering on its purpose of helping clients thrive and communities prosper while enhancing value for our shareholders.

To serve the interests of shareholders and other stakeholders, RBC's corporate governance system is subject to ongoing review, assessment and improvement. The board proactively adopts governance policies and practices designed to align the interests of the board and management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the organization.

RBC Common Shares are listed on the Toronto Stock Exchange (TSX), the New York Stock Exchange (NYSE) and the Swiss Exchange. The board exercises its authority in accordance with the RBC Code of Conduct, its By-laws and the *Bank Act* (Canada), as well as other applicable laws and regulations, including those of the CSA, the TSX, the NYSE and the SEC.

RBC's practices are consistent with *Bank Act* requirements, the OSFI Corporate Governance Guideline, the CSA's corporate governance guidelines (CSA Guidelines) and the CSA's rules and applicable SEC rules. In addition, although RBC is not required to comply with most of the corporate governance listing standards of the NYSE (NYSE Rules) applicable to U.S. domestic issuers, RBC meets or exceeds the NYSE Rules in all significant respects except as summarized on the bank's governance website.

## The core principles that drive our approach

RBC's approach to corporate governance is guided by the following core principles:

Principle	Description
<b>Culture and conduct</b>	By setting the tone from above, the board champions the values of trust, integrity and good governance. These values are well entrenched in the culture of RBC and reinforce the ethical principles on which RBC's reputation and success are founded. To enhance shareholder value on a sustainable basis, these values must extend into every segment of RBC operations and business activities.
<b>Stewardship</b>	Directors are the stewards of RBC, exercising independent judgment in overseeing management and safeguarding the interests of shareholders. In fulfilling its stewardship role, the board seeks to instill and foster a corporate environment founded on integrity and to provide management with sound guidance in pursuit of long-term shareholder value.
<b>Strategic oversight</b>	Directors are key advisors to management, advising on strategic direction, objectives and action plans, taking into account business opportunities and RBC's risk appetite. In carrying out this oversight role, the board actively engages in setting the long term strategic direction for the organization, reviews and approves business strategies, corporate financial objectives and financial and capital plans that are consistent with the strategic direction, and monitors RBC's performance in executing strategies and meeting objectives.
<b>Risk oversight</b>	The board oversees the frameworks, policies and systems to identify and manage risks to the businesses, and seeks to embed a strong risk-aware culture throughout RBC. The board actively monitors the organization's risk profile relative to risk appetite and seeks to ensure that management's plans and activities provide an appropriate balance of return for the risks assumed and are prudently focused on generating shareholder value.
<b>Independence</b>	Independence from the bank and management is fundamental to the board's effective oversight, and mechanisms are in place to ensure its independence. All direct and indirect material relationships with RBC are considered in determining whether a member of the board is independent.
<b>Accountability</b>	Transparency is a hallmark of good governance. The board is committed to clear and comprehensive financial reporting and disclosure and to constructive shareholder and stakeholder engagement. The board has carefully defined the expectations and scope of duties of the board, its committees and management.
<b>Continuous Improvement</b>	The board is committed to continuously improving its corporate governance principles, policies and practices. RBC's approach to corporate governance is designed to align the interests of the board and management with those of shareholders, to support the stewardship role of the board and to enhance the board's ability to safeguard the interests of shareholders through independent supervision of management. To ensure policies and practices meet or exceed evolving best practices and regulatory expectations, the RBC corporate governance system is subject to ongoing review by the governance committee.

## Our governance structure

Our governance structure establishes the fundamental relationships among the board, its committees, management, shareholders and other stakeholders.

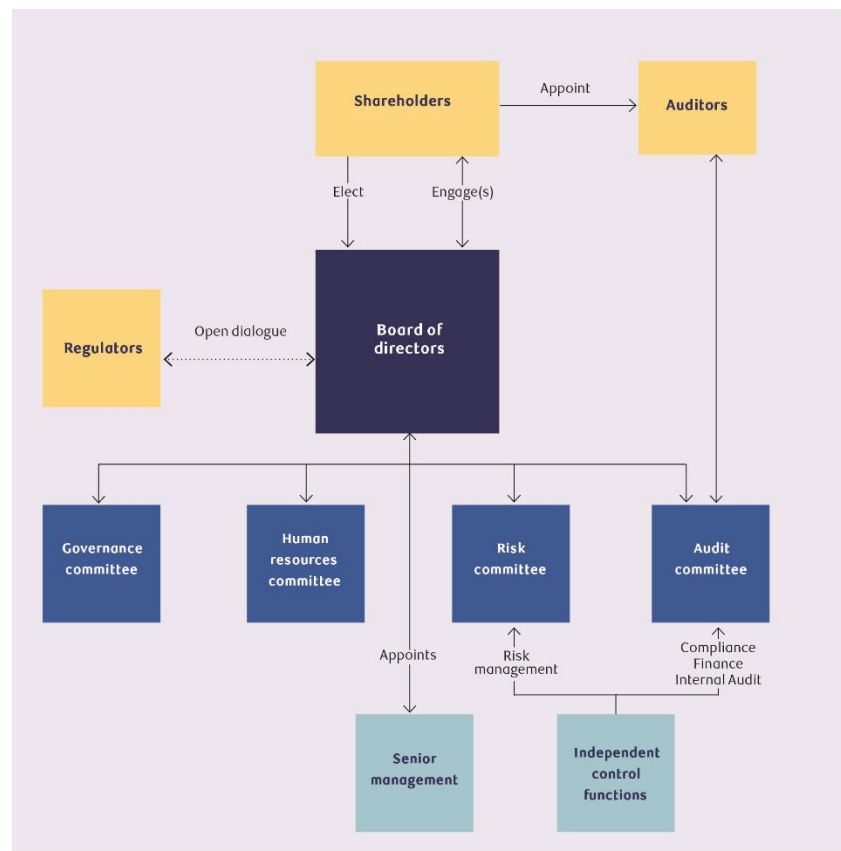
We define values that set the tone of our organizational culture as well as our strategic and corporate objectives, and we determine our plans for achieving and monitoring performance through this structure.

## Role of the board

The board is responsible for the overall stewardship of RBC and fulfills this responsibility by overseeing management and aiming to enhance long-term shareholder value. Its role consists of two fundamental elements: decision-making and oversight. The decision-making function is exercised through the formulation with management of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies. The board makes major policy decisions, participates in strategic planning, delegates to management authority and responsibility for day-to-day affairs and reviews management’s performance and effectiveness.

The *Bank Act* and the OSFI Corporate Governance Guidelines specify certain important matters that the board must address, such as the approval of financial statements and declarations of dividends. The board reserves the right to make certain decisions and delegates others to management. Any responsibilities not delegated to management remain with the board and its committees. In some matters, management’s discretion is limited by dollar thresholds beyond which approval by the board is required. For example, such thresholds exist for investments and divestitures, decisions relating to mergers and acquisitions, intra-group transactions, operating expenditures, capital and funding and project initiatives.

The board’s functions are fully described in its charter, which is approved by the board. The specific responsibilities of the board are described in the RBC annual report and management proxy circular and include the following matters:



- establishing the bank’s purpose, vision and values
- fostering a culture of integrity and good governance
- strategic planning
- identifying risks and overseeing risk management
- overseeing financial reporting, internal controls, communications and public disclosure
- talent management and succession planning, evaluating performance and approving compensation of senior management,
- overseeing our enterprise approach to environmental and social matters, including our climate strategy and environmental and social risks and opportunities, and
- defining our corporate governance structure – including principles, guidelines and practices – which establishes the fundamental relationships among the board, its committees, management, shareholders and other stakeholders.

## Role of the board chair

Having an independent, non-executive board chair enhances management’s accountability and the board’s independent oversight. The board chair leads board and shareholder meetings and is responsible for the management, development and effective functioning of the board. While she does not serve on any board committee, she attends and participates in committee meetings. The board chair has unrestricted access to management, as well as the authority to engage, at the expense of RBC, independent advisors, including legal counsel, and to approve the fees and terms of their engagement. She does not have the deciding vote if a board vote results in a tie.

Among other things, the board chair also:

- advises the CEO on major issues and liaises between the board and senior management
- participates in the orientation of new directors and the continuing development of current directors
- with the governance committee, conducts the board’s effectiveness evaluation and plans board succession and recruitment
- interacts with directors and senior executives throughout the year
- meets with regulators, shareholders and stakeholders on behalf of the board, and
- periodically attends board meetings and meets with independent directors of our key subsidiaries.

The board reviews and approves the board chair’s mandate, while the governance committee, under the direction of its chair, annually assesses the effectiveness of the board chair in fulfilling her mandate.

## Committees of the board

To assist in exercising its responsibilities, the board has established four committees:

- audit committee
- risk committee
- governance committee, and
- human resources committee.

The committees all have a written mandate that sets out their responsibilities and qualifications for committee membership under applicable laws and regulations. The governance committee reviews the board and committee mandates, which outline their areas of responsibility, and allocates responsibilities as required, taking into account regulatory guidance and industry best practices. These reviews ensure the board and its committees are adaptive and responsive to new requirements and continue to practice strong oversight.

The committees annually assess their effectiveness to ensure that they have effectively fulfilled their responsibilities as set out in their mandates. The chair of each committee, in consultation with the committee members and senior management, develops work plans for the year, which provide a thematic view of the forward agenda and are intended to focus the committee on the most important aspects of its mandate with sufficient frequency.

Each committee prepares annually a report of its activities over the previous year. These reports, as well as details about the composition and responsibilities of each committee, are included annually in the management proxy circular.

The committee chairs report to the board following each committee meeting, and make such recommendations as are deemed appropriate in the circumstances.

During their tenure, directors normally serve on two committees at a time for a minimum of three years per committee, and many directors serve on every committee during their tenure as director.

### Committee chairs

Each committee is comprised entirely of independent directors and is chaired by an independent director who is responsible for the effective operation of the committee and the fulfilment of the committee's mandate. The board has approved a mandate for the committee chairs. To facilitate open and candid discussion among committee members, each committee chair regularly leads *in-camera* sessions without management present.

## Audit committee

Management of RBC is responsible for the preparation, presentation and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles, policies, internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The external auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of the annual financial statements and an audit of internal control over financial reporting. The external auditor also reviews the quarterly financial information. The audit committee's purpose is to review the adequacy and effectiveness of these activities and to assist the board in its oversight of:

- the integrity of the bank's financial statements
- the external auditors' qualifications, independence and performance
- the effectiveness and independence of the bank's Internal Audit, Finance and Compliance functions
- the adequacy and effectiveness of internal controls, and
- the bank's compliance with legal and regulatory requirements.

Each member of the audit committee must be independent and "financially literate" within the meaning of the rules of the CSA relating to audit committees and the corporate governance listing standards of the NYSE. In accordance with applicable regulatory requirements at least one member must have accounting or related financial management expertise, as the board interprets such qualification in its business judgment. Members of the audit committee may serve on the audit committees of no more than two other public companies, unless the board determines such simultaneous service would not impair the member's ability to serve effectively on the audit committee.

## Risk committee

The risk committee is responsible for overseeing risk management at RBC, balancing risks and rewards while ensuring that management has in place policies, processes and procedures, and the appropriate organizational structure, budget and resources to effectively manage the significant risks to which RBC is exposed. Annually, the risk committee reviews and recommends to the board for approval the Enterprise Risk Appetite Framework, which is the amount and type of risk RBC is willing to accept in the pursuit of its business objectives. The committee also reviews regular reporting on the assessment of RBC's risk profile as measured against the approved risk appetite.

The risk committee annually reviews and approves the Enterprise Risk Management Framework, which provides a consolidated overview of the bank's program for identifying, assessing, measuring, controlling, monitoring and reporting on the significant risks that face the organization as well as supporting risk frameworks. The risk committee also assists the board in its oversight of the effectiveness and independence of RBC's risk management function.



### Governance committee

The governance committee is the nominating committee responsible for recommending to the board individuals qualified election or re-election as directors. The governance committee oversees the board's effectiveness evaluation process. The governance committee is responsible for advising the board in applying governance principles, monitoring developments in corporate governance and adapting best practices to the needs and circumstances of RBC. The governance committee also advises the board on relationships with governments. It oversees and coordinates environmental, social and governance (ESG) matters at the board and its committees, including ESG reporting and the bank's approach to corporate citizenship.

The governance committee fulfils the role of a conduct review committee for RBC and ensures that management has established practices and procedures relating to self-dealing, insider trading and personal loans, as required by law. It monitors procedures to resolve conflicts of interest, oversees culture and conduct at the bank and continues to enhance board and committee reporting on culture and conduct matters. It reviews and recommends for approval by the board the RBC Code of Conduct and obtains assurances that RBC has processes in place to ensure adherence to the Code.

### Human resources committee

The human resources committee acts as the compensation committee of the board. This committee is responsible for advising the board on compensation and compensation risk management, as well as providing oversight of the key talent management and human resources strategies and practices including employee engagement, diversity and inclusion and health and wellness. It also provides its recommendation to the board regarding the compensation of the President and Chief Executive Officer (CEO), in light of the evaluation of his performance against approved goals and objectives relevant to his compensation. It also recommends the compensation of group executive members and other members of senior management whose performance are evaluated against their respective goals and objectives.

The human resources committee reviews talent management practices and succession plans for key senior leadership roles and readiness of the bank's executive talent to deliver the strategic goals of RBC. In addition, it makes recommendations to the board on matters concerning the bank's pension plans.

The human resources committee meets privately with an external compensation consultant, without management present, at each of its meetings where executive compensation is discussed.

### External advisors

Committees may engage external advisors at the expense of RBC. The committees have sole authority to retain, oversee, terminate and approve the fees of, any external consultants or other external advisors that they determine to be necessary to assist them in fulfilling their responsibilities.

Prior to engaging an external advisor, the human resources committee must consider certain factors arising from the NYSE Rules, which may impact the advisor's independence, in particular:

- other services provided to RBC by the advisor's firm

- the amount of fees received from RBC by the advisor’s firm as a percentage of that firm’s total revenues
- policies and procedures of the advisor’s firm that are designed to prevent conflicts of interest
- the extent of relationships of the advisor or the advisor’s firm with members of the human resources committee or with executive officers of the bank, and
- any RBC securities owned by the advisor.

## Our approach to environmental, social and governance (ESG) matters

The bank’s ability to manage ESG matters is fundamental to our long-term success. It enables us to deliver on our purpose to help clients thrive and communities prosper, and create meaningful value for our clients, employees, communities, and shareholders. We employ a disciplined approach to define our strategy, priorities and signature programs, which takes into account the key drivers of economic prosperity and the forces of change that present opportunity and challenge to those we serve. We focus on where we have the social license and opportunity to contribute in meaningful ways, and partner with others to work on solutions.

We also use various non-monetary levers to multiply the impact of our work, including thought leadership, the power to connect and convene, the expertise and generous spirit of employees, and the bank’s own assets as an enterprise, including our leading brand and scale.

And finally, we measure the impact of our ESG priorities and signature programs by tracking outcomes and then using this information to inform our programming decisions and strategy development. Our Impact Measurement Framework enables us to more accurately measure and produce insights about the overall impact of our initiatives on society, the environment, the economy, our employees, our brand and our business. It guides better decision-making for future commitment and initiatives, and enables us to provide evidence of the impact we create and communicate internally and externally.

By taking these steps, we create meaningful value for our stakeholders:

- **Clients** We provide impactful products, services and advice to support the unique and evolving needs and expectations of our clients. This includes delivering meaningful insights, advice and solutions, collaborating across the bank and strategic partnerships, and accelerating our focus on innovation and digital strategies.
- **Employees** Recognizing the positive impact employees make at RBC and also for our clients, communities and each other, we attract and develop talent, create growth and development opportunities, and drive a diverse and inclusive culture.

- **Communities** We are committed to help creating positive social and economic impact in the communities where we live and work, and we play an essential role in the areas of the environment, diversity and inclusion, financial literacy, inclusive economic growth and prosperity, and building a more sustainable economy.
- **Shareholders** Through strong governance, we enhance shareholder value and deliver a robust capital position, balance sheet and credit ratings.

Together our ESG Performance Report, Public Accountability Statement, Task Force on Climate-related Financial Disclosure (TCFD) Report and Diversity & Inclusion Performance Report provide our investors and other key stakeholders with greater transparency into our strategy, commitments and performance on relevant ESG topics as well as our balanced scorecard approach to delivering leading performance.

The board and its committees provide active oversight of our strategic approaches to ESG matters and carefully assess whether management's plans appropriately balance strategic opportunities with appropriate risk discipline. The board is responsible for the bank's business plan, strategy, risk appetite and culture. It oversees our climate strategy and how we manage environmental and social (E&S) risks and opportunities, our enterprise approach to social matters including diversity and inclusion and corporate citizenship, and our governance structure, principles and guidelines. The governance committee advises the board on ESG matters, including the status and adequacy of efforts to ensure our business is conducted to meet high standards of ethics and E&S responsibility. It oversees and coordinates ESG matters at the board and its committees, including ESG reporting and the bank's corporate citizenship strategy. The audit committee oversees the bank's financial reporting, internal controls over financial reporting and disclosure controls and procedures. It reviews our annual report, which includes disclosure of the bank's E&S risks as well as TCFD-related disclosure in the annual report. The human resources committee oversees compensation and recommends for board approval CEO and Group Executive compensation, including short-term incentives, which considers environmental sustainability and social and governance results. It is responsible for talent management and human resources strategies including diversity and inclusion and health and wellness. The risk committee oversees significant and emerging risks to the bank, including E&S risks. It recommends for board approval our Enterprise Risk Appetite Framework, which requires consideration of E&S risks when making risk management decisions.

## Our approach to subsidiary governance

RBC takes an enterprise-wide approach to subsidiary governance. The board and its committees oversee subsidiary governance on an enterprise level and the governance committee coordinates this oversight. Effective oversight by the board is supported by defined mechanisms for escalating subsidiary risk and governance issues, formal and informal touchpoints between the board, senior management and local subsidiaries and regular enterprise-wide subsidiary reporting and approval of key enterprise-wide frameworks. In addition, the board chair and committee chairs periodically attend subsidiary board and committee meetings and meet with independent directors of our key subsidiaries.

The subsidiary governance office manages the corporate governance of RBC subsidiaries through a network of global offices that act as regional corporate governance hubs, bringing together local expertise and global oversight. This centralized approach provides consistency and transparency, enabling us to be responsive to evolving business needs, best practices and regulatory requirements and expectations.

Our policies on subsidiary board composition and functioning enhance our strong governance. Active and engaged subsidiary boards play a key role in overseeing our legal entities. Many have independent directors with specific skills and experience to assist the board in advancing the strategic priorities of RBC and its subsidiaries and constructively challenging management. We continue to further enhance the representation of women as well as other underrepresented groups on our subsidiary boards aligned to enterprise diversity and inclusion strategies and to leverage the subsidiary board experience to build talent for growth across the enterprise.

## The role of management

There is a clear demarcation of roles and responsibilities between the board and senior management that fosters an environment of transparency, confidence and mutual trust in which the board is able to constructively challenge and provide guidance to management.

### Group executive

Subject to the provisions of the *Bank Act*, the board may appoint such officers and specify such duties and delegate such powers to them as it may determine. The board has established the group executive comprised of the CEO, the business segment group heads, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Legal Officer (CLO), the Chief Administrative & Strategy Officer, the Chief Human Resources Officer, and the Group Head, Technology and Operations. Each group executive member leads a senior operating committee.

The board delegates to senior management the authority and responsibility for day-to-day affairs and reviews senior management's performance and effectiveness. Senior management is accountable for implementing the board's decisions, and is responsible for directing and overseeing the operations of the bank. The CEO and other group executive members have written mandates describing their respective roles, responsibilities and required capabilities of their positions.

The group executive is responsible for RBC's strategy and its execution. The group executive actively shapes and recommends RBC's risk appetite for approval by the risk committee and the full board. The group executive's risk oversight role is executed primarily through the mandate of the group risk committee (GRC). GRC, with the assistance of its supporting senior management risk committees, is responsible for ensuring that RBC's overall risk profile is consistent with its strategic objectives and approved risk appetite and that there are ongoing appropriate and effective risk management processes.

## Oversight functions

The group executive delegates some of its responsibilities to RBC's oversight functions, consisting of Finance, Risk Management, Compliance, and Internal Audit, which are responsible for providing enterprise-wide oversight of operational management. The heads of these functions have direct access to the audit committee and/or risk committee (as appropriate) and report to the CEO or to the head of another oversight function.

The board, through the audit committee and the risk committee, are responsible for overseeing effectiveness of the oversight functions, having regard to their independence from the businesses whose activities they review and the heads of these functions. The mandate of the audit committee sets out specific responsibilities for overseeing Finance, Compliance and Internal Audit Services and the mandate for the risk committee similarly sets out responsibilities for overseeing Risk Management.

As Internal Audit Services is responsible for providing independent assurance to the audit committee and to senior management on the effectiveness of risk management processes, governance and systems of internal control at RBC, the Chief Audit Executive (CAE) reports directly to the audit committee chair for functional purposes and to the CEO for administrative purposes.

The heads of the Finance, Compliance and Risk Management oversight functions have direct and regular access to the relevant board committee through its chair. In addition, the audit committee holds separate private meetings with each of the CAE, the CFO, the Chief Compliance Officer (CCO), the Chief Anti-Money Laundering Officer (CAMLO) and the CLO with no other members of management present. The risk committee meets privately with the CRO at every regularly scheduled meeting, with no other members of management present.

On an annual basis the effectiveness of the oversight functions and the performance of the heads of the functions are assessed by the relevant committee. Each assessment includes a review of the mandates of the function and function head, the function's organizational structure, budget and resources.

Third party independent assessments of the oversight functions are conducted periodically on a rotating basis, or as otherwise determined by the board.

## Reporting and escalation of significant issues to the audit committee and risk committee

Regular reports are provided to the audit and risk committees, as appropriate, on significant matters, by the CLO, the CAMLO, the CCO, the CAE, the CFO and the CRO.

The board has in place a policy that provides guidance regarding timely communication and reporting by senior officers of RBC of control deficiencies and other significant issues to the audit committee or the risk committee through the chairs of these committees.

## Disclosure controls and certifications

RBC has in place disclosure controls and procedures that are designed to ensure that material information relating to RBC is communicated to RBC's senior executives, including the CEO and the CFO, and to the disclosure committee.

The disclosure committee, comprised of senior management, assists the CEO and CFO in ensuring there is an adequate and effective process for establishing, maintaining and evaluating disclosure controls and procedures for RBC's external disclosures.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Senior management, with the assistance of the disclosure committee, is responsible for establishing and maintaining adequate internal control over financial reporting, as well as annually evaluating the effectiveness of these controls.

Annually and quarterly under U.S. certification rules, the CEO and CFO certify that they:

- are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting
- designed (or caused the design of) and evaluated the disclosure controls and procedures and reported their conclusions about the effectiveness of the disclosure controls and procedures in public disclosure documents
- designed (or caused the design of) internal control over financial reporting
- disclosed any changes in internal control over financial reporting that materially affected or are reasonably likely to materially affect internal control over financial reporting in public disclosure documents, and
- reported to the audit committee and the external auditors all significant deficiencies and material weaknesses in internal control over financial reporting and any fraud involving management or employees who have a significant role in internal control over financial reporting.

In addition, the CEO and CFO, following review by senior management and the disclosure committee, also certify that RBC's annual and quarterly filings do not contain an untrue statement of a material fact, or omit to state a material fact, and that the financial statements and other financial information included in the annual and quarterly filings fairly present, in all material respects, RBC's financial condition, the results of its operations and its cash flows. As an issuer listed both in Canada and the U.S., RBC fulfils Canadian requirements by complying with U.S. certification requirements.

## Culture and conduct

The board sets and expects the highest standards of conduct at RBC to build and maintain the trust of our clients, shareholders, colleagues and communities. The board, with management, sets the tone from above and promotes an open and transparent culture at RBC. We recognize that the board's responsibility to oversee culture and conduct is broad and demands that we adopt a continuous improvement mindset towards our practices.

To that end, the governance committee oversees the management of culture and conduct and monitors emerging trends and best practices through enhanced board and committee reporting on culture and conduct matters, such as client complaint handling and outcomes, organizational and employee conduct and risk culture, as well as the impact on the integrity, soundness and resilience of financial markets and on our reputation. It meets on a regular basis with the CHRO, CRO, CLO and CCO to review key matters and progress on programs that strengthen enterprise culture and conduct.

We also encourage our employees to help shape our culture by speaking up and challenging behaviour when they do not align with our values.

### Our Code of Conduct

The RBC Code of Conduct establishes standards of desired behaviours that apply to directors, senior management, all employees and contract workers, including the responsibility to be truthful, respect others, comply with laws, regulations and our policies, and engage in sales practices that are fair and not misleading.

The board annually approves the Code of Conduct and closely collaborates with management to set the tone from above and promote a strong governance culture that influences RBC at every level and across all our global businesses.

Our Code of Conduct sets out fundamental principles that guide the board in its deliberations. It creates a frame of reference for properly addressing sensitive and complex issues, requires directors, senior management, all employees and contract workers to report misconduct and outlines our accountabilities if standards of conduct are not upheld.

RBC fosters an open and transparent environment where employees can speak up and raise concerns through various channels without any form of retaliation. The RBC global conduct hotline is a confidential channel that is accessible to all employees to raise concerns and report misconduct. A third-party, independent of RBC, administers the hotline, and employees can use it anonymously.

We have an online learning program and annual employee testing and acknowledgement to demonstrate that employees are familiar with and understand the values and principles outlined in our Code of Conduct. Directors must acknowledge each year that they have read and understand the Code of Conduct and certify that they are in compliance with it. We also have policies and procedures to address more specific aspects of fair business conduct, such as anti-bribery, anti-corruption and insider trading policies.

Waivers of the application of the Code of Conduct are considered only in exceptional circumstances. In the case of executive officers and directors, these waivers must be reported to the governance committee or the board and must be publicly disclosed in accordance with the law.

A copy of our Code of Conduct is available at [rbc.com/governance](http://rbc.com/governance) and has been filed with the securities regulators at [sedar.com](http://sedar.com).

### Financial reporting hotline

Our stakeholders rely on the accuracy of our financial reporting. Employees, contract workers, senior management, directors and third parties are encouraged to report, on a confidential and anonymous basis, any allegations of wrongdoing relating to accounting, auditing or internal accounting controls via the RBC global conduct hotline. Details on our reporting hotline can be found at [rbc.com/governance](http://rbc.com/governance). Issues are investigated internally or by an independent external party, and any significant issues are raised with the audit committee chair.

### Conflicts of interest

In practice, conflicts of interest can arise as a result of professional and contractual arrangements, directorships and other personal or business interests. As part of its oversight of conduct review, the governance committee establishes and monitors procedures to resolve conflicts of interest. Where the personal or business interests of directors and executive officers may conflict with those of RBC, they must disclose the nature and extent of the conflict of interest as soon as possible, in writing or by requesting to have it entered in the minutes of the meeting. In the event of a conflict of interest, the director or executive officer in question will leave the meeting when the issue is discussed and, in the case of a director, will not vote or participate in the decision.

The governance committee is responsible for overseeing transactions with directors and senior officers of the bank who are related parties as defined under the *Bank Act*. It periodically approves the procedures governing permitted transactions with related parties and receives regular reports to ensure that transactions with related parties comply with the *Bank Act* and internal procedures.

### Diversity and inclusion in action

Diversity and inclusion has always been a core value at RBC. Our vision is to be among the most inclusive and successful companies, putting diversity into action to help employees, clients and communities thrive. To support that vision, we seek to be a recognized leader in inclusion and leadership diversity and the financial institution of choice for diverse client markets, and to leverage diversity and inclusion for the growth and success of RBC, our clients and communities. We also seek to attract and retain the best talent from the entire talent pool, which requires considering a diverse range of skills and backgrounds and embracing differences. The board is committed to diversity and inclusion at all levels as it provides RBC access to a wider pool of talent and drives creativity, innovation and growth.



### [Board Diversity Policy](#)

A balanced and diverse board is critical to successful board oversight. We firmly believe that the board should reflect the diversity of our clients, employees, shareholders and communities. We are proud of the leadership role we play in promoting board gender diversity in corporate Canada and the progress we have made toward achieving a diverse board that today has over 40% who identify as women. We recognize that we need to do more to further enhance the representation of people who identify as Black, Indigenous and people of colour as well as members of other historically underrepresented groups among board members.

To help achieve our diversity objectives, the board has approved a Board Diversity Policy which establishes that diversity is a critical lens through which the governance committee assesses each director candidate necessary to meet our goals of excellence, innovation and success. Pursuant to our commitment to a balanced and diverse board, gender and non-gender diversity, ethnicity, race, ancestral origin, age, geography, background, sexual orientation and other dimensions of diversity are always important factors considered by the governance committee. In particular, when identifying and nominating director candidates, the governance committee considers the level of representation of women, Black, Indigenous and people of colour and other historically underrepresented groups on the board. The Board Diversity Policy also requires that men and women each comprise at least 35% to 45% of directors.

Every year, the governance committee completes a self-assessment that measures, among other things, its effectiveness in guiding the board toward its diversity objectives. It also reviews the board's composition and any anticipated vacancies through the lens of our Board Diversity Policy and our objectives

### [Diversity of the executive team](#)

Diversity is integrated throughout our approach to talent management. We believe a stronger future relies on a pipeline of diverse leaders. We align our talent strategies and succession planning with our business strategies and leadership model and use metrics to ensure we are preparing a diverse talent pool for growth and future leadership roles. In our approach to succession planning, we assess, identify and develop executives and high-potential talent to build leadership capabilities with a goal to create a diverse group of leaders who will drive our performance.

The representation of talent in executive and senior manager roles is a reflection of the diversity of our talent pipeline which drives better performance, stronger growth and greater innovation. We focus on accelerating the development of diverse leaders to strengthen our succession bench through a number of programs, including: Women in Leadership, Ignite (our leadership development program for individuals who identify as Black, Indigenous or people of colour) and RLaunch (a program for senior-level individuals who have been on a career break for longer than one year).

We also consider diversity when identifying development opportunities for our high-potential employees, such as inclusion on executive staffing lists, directorships on subsidiary boards, targeted development plans and participation in formal development and mentoring programs. Recognizing that what gets measured gets managed, we set specific time-bound goals to increase the diversity of our leadership. Our executive appointment goals are a key enabler for ensuring continued progress on representation. We enable leaders across our businesses to support staffing goals in a number of ways, such as building a

strong pipeline to support diverse candidate slates and establishing programs to develop the skills, capabilities and experiences of our diverse talent across RBC.

RBC does not establish specific diversity targets at the group executive level due to the small size of this group and the need to carefully consider a broad range of criteria; most importantly, the appropriate matching of business needs to drive long-term value for our stakeholders and the proven skills and capabilities of new appointees.

The RBC Diversity Leadership Council, which is chaired by the CEO and comprised of senior executives from across all our businesses, promotes diversity and inclusion and oversees strategies and action plans with measurable outcomes for all of RBC. We believe that in order to speak up for inclusion, we need to speak about inclusion and we are taking action to empower, enable and engage our colleagues, communities and clients to have meaningful conversations about diversity and inclusion through our diversity portal at [rbc.com/diversity](http://rbc.com/diversity).

## Board composition

### Board size

The composition of the board is governed primarily by the *Bank Act*, which sets out requirements relating to the qualifications, number, affiliation and Canadian residency of directors.

When determining its optimal size, the board balances two competing priorities:

- the business need for diversity of experiences, perspectives and backgrounds that align with the near- and long-term strategic objectives of RBC and reflect its diverse client and stakeholder base, and
- the need to be small enough to facilitate open and effective dialogue and thorough and responsive decision-making.

Regulatory requirements and succession planning also play key roles in the board's determination of its optimal size.

Under RBC's By-laws, the board may fix the number of directors between the range of 7 (the minimum number of directors required by the *Bank Act*) and 26. Each year, the governance committee reviews the optimal size of the board and makes recommendations to the Board on its size, taking into consideration legal requirements, succession planning and anticipated vacancies, best practices, skills required to complement the Board's skill set and the optimal number of directors needed to discharge the duties of the board and its committees.

## Independence of the board

To be effective, the board must be independent. As a Canadian financial services company listed on the TSX and NYSE, RBC is subject to various guidelines, requirements and disclosure rules governing independence of the board and its committees, including additional independence criteria for members of the audit committee and the human resources committee.

To assist it in making determinations as to the independence of directors, the board has adopted the Director Independence Policy, which contains categorical standards of independence regarding such matters as:

- business and lending relationships between RBC and directors, their spouses and their businesses
- receipt of payments from or provision of goods or services to RBC
- relationships between directors and their family members and the auditor of RBC, and
- donations by RBC to charities with which directors are associated.

The Director Independence Policy incorporates criteria from the “affiliated persons” regulations under the *Bank Act* and the definition of “independence” in the CSA Guidelines. It has also set additional standards for members of our audit committee and our human resources committee. The Director Independence Policy is filed with securities regulators at [sedar.com](http://sedar.com) and is available at [rbc.com/governance](http://rbc.com/governance).

Directors are independent only if they are unaffiliated with RBC and the board has determined that they have no direct or indirect material relationship with RBC that could interfere with their independent judgment.

To determine whether directors are independent, the board uses information about their personal and business relationships with RBC, including their personal banking and financial services information. The board collects this information from sources such as:

- director responses to an annual detailed questionnaire
- director biographical information, and
- internal records and reports on relationships between directors, entities affiliated with directors and RBC.

The board tests relationships between directors and RBC using materiality thresholds set out in our Director Independence Policy. The board also considers other facts and circumstances it deems relevant to determine whether any of these relationships could reasonably be expected to interfere with a director’s independent judgment. It considers the nature and extent of these relationships and their importance not only to directors and to RBC, but also to entities with which directors are affiliated.

In accordance with the Director Independence Policy, each committee of the board is composed solely of independent directors.

Under the *Bank Act*, the CEO must be a member of the board. He is the only director who is not independent.

### Guidelines to address other professional activities

Directors must notify the board chair, governance committee chair and secretary before they engage in any new professional activities, including a directorship (public or private), employment as well as any role as an advisor or a consultant. The board chair and governance committee chair assess whether the directors will have sufficient time and energy to devote to their RBC responsibilities and evaluate potential circumstances that could impact their independent thinking.

### Board Interlock Policy

The board limits the number of common memberships on boards of public companies on which directors may serve. No more than two board members may sit on the same public company board.

### Finding the right director candidates

The board derives its strength from the diversity, qualities, competencies and experiences of its members.

The governance committee oversees board renewal and nominates directors for election to the board. Fundamental to the committee's purpose is to build a board that is composed of directors who possess the talent and experience to support the future strategic objectives of RBC, with strong risk discipline in the context of a rapidly changing and increasingly competitive global marketplace and evolving regulatory landscape. The committee reviews board composition and any anticipated board vacancies through the lens of the Board Diversity Policy. RBC shareholders elect the directors at each annual meeting to serve until the next annual meeting.



The governance committee and the board chair work together to consider all qualified individuals and maintain an evergreen list of potential candidates. Every year, they review the credentials of candidates proposed for election or re-election to the board and assess their competencies and experience against those that the board believes, as a whole, it should possess. As part of this analysis, the committee maintains a matrix indicating the major competencies and experience that each director contributes. The matrix assists the governance committee and the board in acquiring the right talent and expertise against the backdrop of a dynamic marketplace and evolving regulatory landscape.

The board selects independent nominees possessing business and professional expertise, including relevant financial services industry and risk management expertise, senior-level involvement in major organizations, international experience, a history of achievement and performance at the highest level, and residency in and familiarity with geographic regions relevant to our strategic objectives.

In line with our Board Diversity Policy and our commitment to further improve diversity among board members, the governance committee also considers other important factors such as gender and non-gender diversity, ethnicity, race, ancestral origin, age, geography, background, sexual orientation and other dimensions of diversity. In particular, it considers the levels of representation of women, Black, Indigenous and people of colour and other historically underrepresented groups on the board when considering candidates to nominate.

The committee also considers our director effectiveness framework which lays out the skills, commitment and conduct we expect from new and current directors, as well as the results of the board and director effectiveness evaluations in its assessment of the skills and competencies needed to support our strategic objectives.

To best support the bank in achieving its purpose to help clients thrive and communities prosper, all director nominees are required to have experience in environmental, social or governance matters, which they have acquired in a variety of ways, including through their professional experience or their educational background. More specifically, they have acquired governance experience as senior leaders in major organizations or as directors and board and committee chairs of public, private and not-for profit entities. Expertise in environmental matters is derived from experience as senior executives, directors or advisors of large energy or natural resources companies or at organizations focused on climate- or sustainability-related matters. Experience in social matters is acquired through managing or overseeing human resources or diversity and inclusion initiatives either as senior executives, directors or advisors or through their involvement with charitable and not-for-profit organizations advancing community, diversity and social initiatives. Directors must also share a commitment to the RBC values of integrity, putting the client first, diversity and inclusion, accountability and collaboration.

The governance committee identifies director candidates through search firms and recommendations from directors, management, shareholders as well as individuals and other stakeholders.

### How to submit a nomination

<b>Shareholders</b>	Shareholders may submit candidates to the board chair.
<b>Proposal under the <i>Bank Act</i></b>	In accordance with the <i>Bank Act</i> , qualifying shareholders may submit a formal proposal to nominate an individual to as a directors.
<b>Nomination under the Proxy Access Policy</b>	The RBC Proxy Access Policy provides an additional way for shareholders to submit director nominations and can be found at <a href="http://rbc.com/governance">rbc.com/governance</a> .
<b>Individuals and other stakeholders</b>	Individuals and other stakeholders may also submit candidates to the board chair.

The board chair may be contacted using the contact information at [rbc.com/governance](http://rbc.com/governance) or the following contact information:

Chair of the Board  
Royal Bank of Canada  
200 Bay Street, South Tower  
Toronto, Ontario M5J 2J5  
Canada

### Majority voting

The board's Majority Voting Policy states that any nominated director in an uncontested board election must immediately tender their resignation if they are not elected by at least a majority (50% plus 1 vote) of the votes cast in their election. The board will determine whether to accept the resignation within 90 days. Absent exceptional circumstances, the board will accept the resignation, making it effective immediately.

A director who tenders a resignation will not participate in any meeting where the board or a committee is considering their resignation. RBC will promptly issue a news release with the board's decision. If the board determines not to accept the resignation, the news release will fully state the reasons for that decision.

### Tenure policy

We have a tenure policy that outlines term limits in order to:

- balance the benefits of experience with the need for new perspectives, and
- achieve ongoing board renewal.

<b>Directors*</b>	A director's term lasts 15 years or until they reach the age of 70, whichever comes first. New directors may serve for at least six years, regardless of their age.
<b>Board chair</b>	The board chair's term is eight years.
<b>Committee chairs</b>	A committee chair's term is three years, which may be extended for up to two years, if appropriate, considering the expertise required to lead the relevant committee.

\* For directors who joined the board prior to May 27, 2011, the term starts on March 1, 2012.

The board, upon the recommendation of the governance committee, may waive the term and/or age limits for directors, the board chair and the committee chairs.

Term limits do not take precedence over our annual director effectiveness evaluation. Nominations for re-election as director will be based on the needs of the board and RBC given its strategic objectives and will take into consideration the results of the effectiveness evaluation and peer reviews.

A director is expected to submit their resignation to the board chair if:

- their qualifications, independence or other credentials change
- they no longer meet the eligibility rules under the board's conflict of interest guidelines, or
- they are no longer qualified under the *Bank Act* or other applicable laws.

The governance committee will make a recommendation to the board on whether it should accept the resignation. A director who tenders a resignation does not participate in the discussion or decision-making process.

## Board operations

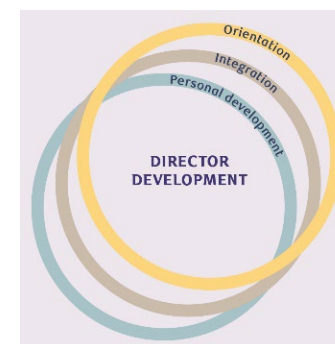
### Meeting attendance

Directors are required to attend a minimum of 75% of board and committee meetings, except where the governance committee determines that factors beyond their control prevented them from achieving this requirement. Overall attendance includes both regularly scheduled and special meetings of the board and its committees. Special meetings are scheduled as needed, often on short notice, and largely relate to ordinary course matters that arise between regularly scheduled meetings. Directors often also attend meetings of the committees of which they are not members.

## Helping directors succeed in their roles

The board strives to ensure that new directors receive a thorough introduction to the role and all directors have access to the resources they need to focus on ongoing development. The governance committee is responsible for making the transition of new directors as seamless as possible and equipping them with the right tools to succeed so they can make valuable contributions to the board and RBC.

Our principles-based approach reflects three key pillars to facilitate an agile and adaptive board.



<p><b>Orientation and onboarding</b></p>	<ul style="list-style-type: none"> <li>▪ In-depth Orientation Guide covering our governance principles and policies including our Code of Conduct and Director Independence Policy</li> <li>▪ Strategic and business deep-dives with members of the group executive and senior management</li> <li>▪ Onboarding sessions with key governance, legal and function executives to advise directors on their obligations and the internal controls and practices in place at RBC</li> <li>▪ Attendance at committee meetings even if a director is not a member</li> <li>▪ Committee chair orientation with executive sponsors and the secretary</li> </ul>
<p><b>Integration</b></p>	<ul style="list-style-type: none"> <li>▪ Mentorship program matching new directors with experienced members</li> <li>▪ One-on-one meetings with the board chair and committee chairs to enhance their understanding of the board’s culture and dynamics</li> <li>▪ Ongoing engagement with members of the group executive and senior management to deepen knowledge of our strategic objectives and foster open dialogue and constructive relationships</li> </ul>
<p><b>Personal development</b></p>	<ul style="list-style-type: none"> <li>▪ Education sessions and materials:               <ul style="list-style-type: none"> <li>- presentations by senior executives on the business and regulatory environment, including specialized and complex aspects of our businesses and operations</li> <li>- RBC Speaker Series, where external guest speakers provide insights on a variety of topics, including the economic and political landscape as well as emerging industry, regulatory and market trends</li> <li>- areas of shared concern or oversight covered in joint educational sessions across committees</li> </ul> </li> </ul>



- daily and weekly media updates and investor relations reports on key issues, the bank's media presence and market trends
- regular updates about educational opportunities outside RBC

Directors have full access to committee education sessions regardless of committee membership. They also receive educational materials and updates between board meetings on matters relevant to our businesses.

- Tailored programming:
  - programs to address the particular needs of each director based on their background, experience and personal focus areas
  - opportunities relevant to directors at large financial institutions (e.g. Global Risk Institute, Group of Thirty, Bank Governance Leadership Network)
- Membership at the Institute of Corporate Directors (Canada) and National Association of Corporate Directors (U.S.)

Periodically, the board also participates in tours of our operations and attends talent dinners with employees to further learn about our businesses and activities.

### Evaluating the board, committees, chairs and directors

The board and its committees annually review their effectiveness as part of their commitment to continuously improve their oversight, guidance and constructive challenge of management. Managed by the governance committee, this process also includes separate evaluations of the board chair and each committee chair as well as a self-assessment and a peer review of each director. Annual evaluations of the board and each committee are supplemented with input from members of the group executive on areas such as board and committee processes, materials, interaction with management and overall effectiveness. We review our evaluation and effectiveness frameworks annually to align them with best practices and regulatory guidance. The results inform the board's development of priorities and action plans for the following year. The evaluations also form part of the governance committee's assessment of the skills and competencies director nominees need for election or re-election.

Priorities and action plans are developed for the board and committees and the committee chairs as well as the board chair based on the results of these evaluations. Updates on priorities and action plans are provided to the board and committees by the board chair and committee chairs on a regular basis throughout the year. This approach creates an effectiveness evaluation that is an ongoing, dynamic part of the functioning of the board and its committees. The evaluations also form part of the governance committee's assessment of the skills and competencies director nominees need for election or re-election.

### Assessment of the Board

The directors conduct an annual evaluation of the performance and effectiveness of the board in light of its charter. In this process, directors provide their views on whether the board is functioning effectively, as well as matters as specific as key strategic, operational and risk matters and the effectiveness of the director orientation and education program. Feedback is collected through questionnaires and through meetings between the board chair and the committee chairs as well as one-on-one meetings between the board chair and directors. The board is evaluated by all directors and the group executive and the board chair is evaluated by all directors, including the CEO.

The results of the evaluation are analyzed by the consultant and reviewed by members of the governance committee and the full board, who consider whether any changes to the board's processes, areas of focus, composition or committee structure are appropriate. In this context, the board develops priorities and action plans for the year to address key themes and any areas for improvement that have been identified. The governance committee monitors implementation of any action plans designed to address the approved priorities and periodically updates the board on progress. Senior management is advised of any suggestions made by directors for improvement of processes to support the work of the board.

### Assessment of board committees and committee chairs

Each board committee annually evaluates its effectiveness in carrying out the duties specified in its mandate, including an assessment of their respective committee chair's effectiveness. The committees and committee chairs are evaluated by committee members and applicable senior management. The results are analyzed by the external consultant and reviewed by the members of each committee who consider whether any changes to its structure or mandate are appropriate. Feedback on committee chairs is also provided to the board chair.

### Assessment of individual board members

Directors participate in an annual written peer review to assess individual directors on the key characteristics and behaviours that the board considers essential for any director to successfully discharge his or her oversight responsibilities. This consists of both an evaluation of peers and a self-evaluation. The board chair reviews the independent director reports and peer feedback. Development opportunities are



identified, as required, for each independent director. Input from the peer evaluation process is taken into account when considering the director nominees to be recommended to shareholders.

Our director effectiveness framework identifies the key characteristics and behaviours the board considers essential for each director to fulfil their role successfully. This framework forms the basis of the peer evaluation components of the evaluation and reflects the director's commitment to improvement at a board and individual level.

### Director compensation

The governance committee conducts a periodic review of the amount and the form of compensation of non-executive directors, with a view to aligning the interests of directors and shareholders and providing market competitive compensation. The governance committee assesses the design and competitiveness of director compensation in the context of industry best practices and with reference to a core Canadian comparator group of companies (including financial institutions) of similar size, complexity and geographic scope to RBC. It also considers a broader reference group of U.S. and international financial institutions of similar size, complexity, business mix, scale of operations outside their home country and financial condition.

Directors who are also officers of RBC receive no remuneration as directors. The maximum annual compensation that may be paid to members of the board is determined by the shareholders, who have set it at \$6,000,000.

As part of the board compensation program, directors must invest at least 60% (\$180,000 in fiscal 2021) of their annual director retainer in the form of common shares or director deferred stock units which must be retained until retirement from the board. In addition, directors are required to own common shares or director deferred stock units with a minimum value of \$1,200,000, or four times the board retainer within five years of joining the board. As part of this requirement, directors are required to own a minimum of 1,000 common shares.

In fiscal 2021, RBC directors were compensated as follows:

Annual retainers	(\$)
Director	300,000
Board chair	275,000
Committee chair	50,000

The board chair must also invest 40% (\$110,000 in fiscal 2021) of the annual board chair retainer in either common shares or deferred stock units. The board chair cannot sell shares purchased with the equity portion of the annual director or board chair retainers or redeem any deferred stock units until retirement from the board.

### Engaging with shareholders and other stakeholders

Continuous and open dialogue with shareholders and other stakeholders is a key priority for us. The board encourages all stakeholders to provide timely and meaningful feedback, facilitates constructive engagement and regularly reviews the bank's engagement with shareholders and stakeholders for alignment with best practices.

To allow shareholders to provide timely and meaningful feedback, the board has developed practices appropriate for the bank's investor base to facilitate constructive engagement. Examples of these practices include methods of hearing from shareholders and responding to their inquiries on an ongoing basis, as well as meetings with investors and organizations representing a significant number of shareholders. The board continues to proactively consider and adapt, as suitable to the circumstances of RBC, emerging practices of board engagement with shareholders.

Procedures are in place to provide timely information to current and potential investors. The board reviews and approves the contents of major disclosure documents, including the annual and quarterly reports to shareholders, the annual information form, management's discussion and analysis, and the management proxy circular. The bank's disclosure policy is approved by the audit committee, and it addresses how RBC interacts with analysts, investors and the public and contains measures to avoid selective disclosure.

### Interaction with regulators

The board regularly meets with key banking regulators to discuss the bank's risk profile and control environment and maintains open lines of communication with them on significant developments, including changes to the board and senior management.