



This is part of a series of documents that provide background on how RBC® manages our economic, social and environmental impact. The series supplements our annual corporate responsibility reporting.

# About Corporate Integrity at RBC

## Priorities, Policies and Governance

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### Why integrity is important to our business

Integrity can be regarded as acting according to one’s values, beliefs and principles. Financial services companies depend on a foundation of trust and effective risk management for their long-term success. We maintain trust by acting with integrity in everything we do. We believe this gives us a competitive advantage and allows us to:

- Provide the best value and advice to our clients, assisting them to realize their financial goals;
- Remain a strong, stable employer;
- Deliver solid returns to our shareholders;
- Have a positive economic impact; and
- Invest in our communities.

### Our approach

The RBC [Code of Conduct](#) reflects our fundamental values and is integral to the way we do business at RBC. In addition, it reflects the relevant laws and regulations in the jurisdictions in which we operate, and is supplemented by several internal policies and controls addressing our expectations and obligations.

Our approach, policies and controls are regularly reviewed, and consider a number of factors:

- Responsible governance, compensation and conflict management;
- Effective business practices, which take into account local and global risks;
- Direct and indirect impact on our communities;
- Transparency and accountability of our actions.

# Priorities and programs

## Govern responsibly

**Corporate governance** broadly refers to the way in which a company is controlled and directed. A company's governance structures identify 'who does what'. A corporation exhibits responsible governance not only by operating with fairness, transparency and accountability but also by setting out the rights and responsibilities of the Board of Directors, management and shareholders.

We first provided our shareholders with a formal statement of our corporate governance practices and guidelines in 2000 and continue to do so. An overview of our corporate governance framework, including charters of the Board of Directors and corporate governance principles, can be found at [www.rbc.com/governance](http://www.rbc.com/governance) and our Management Proxy Circular available at [rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html).

As an issuer listed on the Toronto Stock Exchange, RBC is subject to corporate governance guidelines of the Canadian Securities Administrators. In addition, as a foreign private issuer on the New York Stock Exchange, RBC is subject to certain corporate governance standards set by the NYSE Listed Company Manual.

For information about how our Board of Directors operates, our compensation practices, and identification and management of conflicts of interest, please see our governance website at [www.rbc.com/governance](http://www.rbc.com/governance).

## Run our business responsibly

The way a company runs its business is an important indicator of how seriously it takes its economic, social and environmental responsibilities. Risk is present in virtually all aspects of a financial services company's business, so sound risk management practices lay at the heart of every component of how we run our business at RBC. This approach is fundamental to our long-term success, and as a result, we view risk management to be a core competency for our company. We seek to ensure that our business activities and transactions provide an appropriate risk-return and we have a number of policies and procedures aimed at managing the various areas of risk relevant to RBC, as outlined in the [Policies and practices](#) section of our [Community & Sustainability website](#).

We understand that the way in which we conduct our business has an impact on specific stakeholders, including employees, clients, shareholders and others. We describe our policies, programs and governance within these areas in the following documents:

- Employees: please see [About Working at RBC](#);
- Clients: please see [About RBC in the Marketplace](#);
- Shareholders: please see [About RBC's Economic Impact](#);
- Communities: please see [About RBC and the Environment](#) and [About RBC in the Community](#).

## Reporting suspected irregularities

All RBC employees have a duty to report suspected breaches of our Code of Conduct, other irregularities and dishonesty. We have long-established processes that enable employees to do so, and our Code of Conduct protects employees from retaliation for reports made in good faith.

The RBC Reporting Hotline allows employees and third parties to report suspected irregularities or wrongdoing related to accounting, auditing or internal accounting controls directly to the RBC Ombudsman. They can do this anonymously, in confidence and without fear of retaliation.

In addition to the information found in the [Policies and practices](#) section of our [Community & Sustainability website](#) and in our [Code of Conduct](#), information relating to our reporting hotline can be found on our governance website at [www.rbc.com/governance](http://www.rbc.com/governance).

## Transparency and accountability

Transparency and accountability are cornerstones of responsible governance and major components of new, global regulatory frameworks being developed to address some of the causes and fallout of recent financial crises.

We believe in transparency and accountability and will continue to improve our practices and reporting in response to both regulatory changes and emerging best practices.

## Stakeholder engagement

The fundamental principles of respect and protection for stakeholder interests are part of the fabric of RBC. Shareholders and potential investors are among our key stakeholders. Shareholders are invited to attend the Annual Meeting of Common Shareholders of Royal Bank of Canada. At these meetings, shareholders vote, either in person or by proxy, on matters including:

- election of directors;
- appointment of auditor;
- executive compensation;
- shareholder proposals.

For more information about Annual Meetings and shareholder engagement please visit [rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html) and see our Management Proxy Circular available at [rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html).

We are also responsible to a range of other stakeholders that are more topic-specific, depending on the business or function in question. We describe our approach to engaging with specific stakeholders as follows:

- **Clients:** For information about how we involve clients and other stakeholders in the development of products and services, please see [About RBC in the Marketplace](#).
- **Employees:** For information about how we involve employees and other stakeholders in the development of workplace programs, please see [About Working at RBC](#).
- **Communities:** For information about how we involve our communities in decisions regarding our donations and environment programs, please see our [RBC Environment Report](#) and [About RBC in the Community](#).

## Policies and practices

### Board of Directors

The strength of our governance starts at the top, with an independent Board Chair and experienced and well-informed directors. They work to continually improve our governance practices and ensure that we have, and enforce, standards of ethical behaviour throughout RBC.

Our Board of Directors has long been proactive in adopting leading corporate governance practices and enhancements. Over the years these have included, among others:

- Adoption of an RBC Corporate Governance Framework and transparent disclosure statements in our proxy statements detailing governance policies, processes and controls;
- Adoption of a Board of Directors diversity guideline, under which at least 30 per cent of RBC directors should be women;
- Adoption of a comprehensive Director Independence Policy incorporating more stringent independence criteria for members of the Audit Committee and Human Resources Committee;
- Every committee of the board comprises only independent directors;
- Appointment of an independent, non-executive Chairman since 2001– RBC was the first Canadian bank to separate the Chairman and CEO positions;
- Limiting the service of our Audit Committee members on the audit committees of other companies;
- Requirement for a director to resign if majority shareholder support is not received at the annual meeting;
- Meetings of independent Directors following each regularly scheduled Board of Directors meeting;
- Explicit oversight responsibility for corporate citizenship in the Governance Committee mandate;
- Reports from each of the board's committees are contained in our proxy statements;
- Authority for every committee of the Board of Directors to retain and approve the fees of independent, external advisors;
- Processes for director orientation and continuing education for the Board of Directors;
- Adoption by the board of an express statement of essential characteristics and behaviors for directors;
- Adoption of tenure policies applicable to the Board Chair, Committee Chairs and all board members;
- Annual effectiveness assessments of the Board of Directors, its Chair, its committees, the Committee Chairs and individual directors, including peer reviews and self evaluations which are periodically supplemented by one-on-one interviews with the Chair;



- Director minimum share ownership requirement of \$630,000.
- Transparency of senior management remuneration and adoption of a policy for an annual shareholder advisory vote on our approach to executive compensation;
- Adoption of a sophisticated regime of subsidiary governance and oversight.

For more information, please visit [rbc.com/governance](http://rbc.com/governance), where the following governance-related documents are available:

- RBC Code of Conduct
- President and CEO Mandate
- List of Group Executive Members
- Board of Directors and Board Committee Memberships and Mandates
- RBC Corporate Governance Framework
- Statement of Corporate Governance Practices
- Director Independence Policy
- Charter of the Board of Directors
- Non-executive Chairman Mandate
- Committee Chair Mandate
- Management Proxy Circular

Also, please see [About Corporate Responsibility at RBC](#) for a snapshot of how we manage the corporate responsibility function at RBC.

## Executive compensation

Accountability and transparency about executive compensation remains an important focus for issuers, shareholders, regulators and the general public.

At RBC, our approach and the transparency of our disclosure in the area of executive compensation evolve with best practices. The Board of Directors pays particular attention to the governance and controls in place for executive compensation, and continues to monitor regulatory developments in Canada, the U.S. and internationally. We will continue to monitor developments to maintain progressive practices in executive compensation and disclosure, which are both transparent and in the best interest of all shareholders.

For more information about executive compensation at RBC, including a detailed description of our approach to compensation and the principles on which it is based, please see our Management Proxy Circular by visiting [rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html).

Also, for more information around our pay for performance approach to compensation, please see [About Working at RBC](#).

## Code of Conduct and supporting policies

We have a strong culture of integrity grounded in our Code of Conduct, available in 6 languages, which broadly addresses a variety of ethical and legal concerns that we face on a day-to-day basis. Our Code of Conduct is a set of written standards that make explicit our expectations regarding integrity and ethical behaviour. It applies to everyone who performs work for, or on behalf of, RBC and it touches on all areas of workplace governance.

For more information, please see our Code of Conduct ([rbc.com/governance/\\_assets-custom/pdf/RBCCodeOfConduct.pdf](http://rbc.com/governance/_assets-custom/pdf/RBCCodeOfConduct.pdf)) and [About Working at RBC](#).

We support our Code of Conduct with a number of enterprise-wide, business-specific global and regional policies. They cover issues such as privacy, money laundering, terrorist financing, economic sanctions and lending to political parties. Some of our key policies are highlighted here.

## Identification and management of conflicts of interest

The *Bank Act* (Canada) and other governing legislation and regulations require us to maintain appropriate controls and processes to identify and manage any conflicts between the interests of RBC and its employees, contract workers, suppliers, clients or other third parties. Where a conflict exists, or appears to exist, appropriate steps must be taken to manage the conflict, including, in certain circumstances, eliminating it entirely. If more than one conflict of interest exists for a particular situation, the conflicts must be addressed and managed together.

Where the personal or business relationships or interests of directors and executive officers may conflict with those of RBC, the individuals concerned are required to disclose in writing, or by requesting to have it entered in the minutes of the applicable Board of Directors meeting, the nature and extent of any interest they have in a material contract or material transaction with RBC. In the event of a conflict of interest, the director or executive officer will leave the relevant portion of the meeting, and the director will not vote or participate in the decision. For all other employees, management of conflicts of interest is covered in our Code of Conduct.

The Audit Committee of our Board of Directors has a policy that requires their pre-approval for audit services and other services (within permissible categories of non-audit services) performed by our Auditor. The policy prohibits RBC from engaging the auditor for “prohibited” categories of non-audit services.

### **Anti-bribery/Anti-corruption policies**

Our global Anti-Bribery/Anti-Corruption Policy supports the efforts of governments and other groups around the world who are working hard to fight corruption through legislation that prohibits corrupt and other payments, such as facilitation payments. To support these efforts and our commitment to operate with integrity, we continue to enhance our enterprise-wide, global Anti-Bribery/Anti-Corruption Policy.

### **Anti-money laundering (AML) and Anti-Terrorist Financing Policy**

Our enterprise-wide AML and Anti-Terrorist Financing Policy and compliance program are designed to deter, detect and report suspected money laundering and terrorist financing. We apply appropriate scrutiny and monitoring measures to clients, particularly those whose business activities are known to be susceptible to criminal activity or who have been designated as higher-risk for money laundering and/or terrorist financing.

We continually develop and maintain robust policies, guidelines, training and risk-assessment tools and processes to help us deal with ever-evolving money laundering and terrorism financing risks. For more information on our AML Certifications, please visit [rbc.com/aboutus/amlc-index.html](http://rbc.com/aboutus/amlc-index.html).

### **Anti-competitive behaviour**

Our enterprise-wide anti-trust and competition guidelines are applicable to all those who perform work for RBC. The document addresses common elements in anti-trust and competition laws that apply in the major jurisdictions where we do business.

### **Fiduciary risk**

Under this policy, our businesses and subsidiaries must identify, assess, manage and mitigate any fiduciary risk inherent in our operations or arising from our specific activities and relationships with clients.

### **Privacy policy and information-safeguarding practices**

RBC is dedicated to safeguarding the privacy and confidentiality of our clients’ personal, business and financial information. For information about our policies on privacy and security please see [About RBC in the Marketplace](#), and visit [rbc.com/privacysecurity/ca/index.html](http://rbc.com/privacysecurity/ca/index.html).

### **Economic sanctions**

Our enterprise-wide Economic Sanctions Policy establishes the minimum standards that all our businesses and operations worldwide must follow to comply with economic sanctions globally.

We also have automated systems and other processes for ongoing scanning of client names and payment information against applicable sanctions and control lists.

All RBC employees must comply with applicable economic sanctions obligations that are imposed by the country in which they are located, or that otherwise apply to them because of nationality or place of incorporation. We also keep pace with industry best practices and regulatory expectations with respect to economic sanctions requirements.

Employees engaged in fiduciary relationships must have the appropriate level of knowledge and training necessary to carry out their fiduciary duties, and must meet all applicable legal, regulatory, licensing or registration requirements.



## Political contributions

Our involvement in political contributions varies by region, and the respective policies allow for contributions to a political party, candidate or campaign only as permitted by law and only as an expression of responsible citizenship – not to purchase favours or gain improper advantage.

### Canada

We make limited political donations to provincial parties as permitted by law and internal policies. Our contributions are all on public record and can be accessed at the websites of the various provincial election offices. Several provinces do not allow corporate political donations, nor are they permitted at the federal level.

- British Columbia - <http://www.elections.bc.ca/>
- Alberta - <http://www.elections.ab.ca>
- Saskatchewan - <http://www.elections.sk.ca/>
- Manitoba – corporate contributions are illegal.
- Ontario - <http://www.elections.on.ca/en-CA/>
- Quebec – corporate contributions are illegal.
- New Brunswick - <http://www.electionsnb.ca/>
- Nova Scotia – corporate contributions are illegal.
- Prince Edward Island - <http://www.electionspei.ca/>
- Newfoundland and Labrador - <http://www.elections.gov.nl.ca/elections/>

### United States

All report-able contributions are accessible through the Federal Elections Commission at [www.fec.gov](http://www.fec.gov). This includes reportable contributions to and by the RBC USA Holdco PAC, as well as reportable contributions to and by individuals who are RBC employees.

### United Kingdom and Channel Islands

Our Capital Markets and Wealth Management groups in the British Isles do not make any corporate contributions to political parties, and we have policies and controls to ensure that employees do not make political contributions on behalf of RBC or in their capacity as RBC employees.

### Caribbean

We do not provide political contributions to any party at any level of government or to any political action committees.

## Lobbying

In addition to our Code of Conduct, our global policy on lobbying applies to certain RBC businesses and operations that have contact with public officials or employees who influence legislation, regulations or other government actions. Where such contact exists, the policy requires that appropriate processes and controls be put in place to ensure legislative requirements are met.

We implement this policy in a number of ways depending on location.

### Canada

We communicate with the federal government in an open and transparent way that is fully consistent with the Lobbying Act. A full list of our reportable communications with public office holders can be found at the website of the Office of the Commissioner of Lobbying of Canada (OCL) at <http://www.ocl-cal.gc.ca/eic/site/012.nsf/eng/home>

### United States

The U.S. House of Representatives provides public access to our lobbying reports at <http://lobbyingdisclosure.house.gov/>

## Risk management

Sound risk management practices are fundamental to our long-term success, as risk is present in virtually all aspects of a financial services company's business. Risk management is a core competency for RBC. We seek to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed, and have implemented a number of measures to determine and manage our risk capacity, establish, confirm and adhere to our self-imposed constraints, set risk limits and tolerances, and regularly measure our risk profile.

For instance, RBC's formal risk review and approval process requires the involvement of an individual, group or committee that is independent from the originator. Approval responsibilities are governed by delegated authorities based on transactions, structured credit, projects and initiatives, and new products and services.

Please see our Annual Report ([rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html)) for information on our:

- Risk conduct;
- Risk appetite;
- Risk management principles;
- Risk governance;
- Risk measurements (including stress testing);
- Risk control strategy (including our Enterprise risk management framework);
- Risk in the context of our business activities;
- Approach to a variety of risk factors, including: credit risk, market risk; insurance risk, regulatory compliance risk, operational risk, strategic risk, reputation risk, competitive risk, and other risks.

In addition, please visit [rbc.com/environment](http://rbc.com/environment) for more details on environmental and social risk management.

## Business continuity and crisis management

We use a Business Continuity Management program to ensure that our businesses are prepared to deal with any disruption of operations or service to clients. We conduct risk assessments of all areas annually, in addition to contingency plan development and periodic testing of our resilience capabilities.

We conduct regular crisis simulations to test our readiness and ensure a timely and coordinated response to emergency situations, including departmental disruptions; building, city-wide or regional disruptions; or external events such as pandemics or natural disasters.

## Supplier Code of Conduct

The RBC Supplier Code of Conduct ([rbc.com/sourcing/Supplier\\_Code\\_of\\_Conduct\\_table.pdf](http://rbc.com/sourcing/Supplier_Code_of_Conduct_table.pdf)) sets out the principles RBC expects its suppliers to adhere to when supplying goods and services to RBC. For information, please see [About RBC's Economic Impact](#).

# Governance

## Board of Directors

The fundamental relationships among and between members of the Board, management, shareholders and other stakeholders are determined by our governance structure. This structure is the context in which we set ethical values, corporate strategies and objectives.

Some key functions and responsibilities of each of the committees of the Board of Directors are outlined below. For more information, please see our Annual Report at [rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html).

Audit, accounting, risk management	Audit Committee; Risk Committee
Selection and nomination of board members and top management	for board: Governance Committee; for top management: Human Resources Committee
Remuneration of board members and top management	for board: Governance Committee; for top management: Human Resources Committee
Corporate social responsibility, corporate citizenship, sustainable development	Governance Committee

The directors conduct an annual evaluation of the performance and effectiveness of the Board of Directors and each of its committees, in light of their charters. The results of the evaluation are analyzed by an independent external consultant and reviewed by the Governance Committee and the Board of Directors, who consider whether any changes to the board's processes, composition or committee structure are appropriate. In this context, the Board of Directors develops priorities for the year to address any areas for improvement that have been identified.

Directors also participate in annual written peer reviews to assess individual directors on the attributes that contribute to an effective board. This consists of both an evaluation of peers and a self-evaluation. The written peer evaluation process is complemented periodically with one-on-one meetings between the Chair of the Board of Directors and each director.



## Risk governance

For information on our risk governance, including our Three Lines of Defence governance model, please see our Annual Report ([rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html)).

## Risk review

Enterprise level risk monitoring and reporting are a critical component of our enterprise risk management program and support the ability of senior management and the Board of Directors to effectively perform their management and oversight responsibilities. For information on our Enterprise Risk Report, please see our Annual Report, at [rbc.com/investorrelations/annual-meeting-reports.html](http://rbc.com/investorrelations/annual-meeting-reports.html).

Other relevant reporting includes:

- Internal Capital Adequacy Assessment
- Annual Recovery and Resolution Plan
- Stress Testing Report
- Legal Entity Risk Report
- Reporting on Emerging Risks

Frequency of risk reporting varies, with aggregate risk reporting provided primarily via the quarterly Enterprise Risk Report to management and the Board of Directors. Risk specific reporting is provided on an ongoing basis to the appropriate levels of management, for example, market, credit and operational risk. Business platform risk reporting (e.g. Canadian Banking) includes monthly credit risk dashboard reporting across all business portfolios and is reviewed by senior business and risk management representatives.

## Business continuity

Our Enterprise Crisis Management Team (CMT), comprised of senior executives from across the organization, is responsible for ensuring continued service to our clients during crisis or major service interruptions. The CMT is supported by a global network of regional, business-line and local incident management teams. These teams are on call around the clock to address situations that may pose material risk to our employees, our reputation or our ability to serve clients.

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When we say “RBC” we’re referring to all of our businesses and functions around the world.