

ABOUT Governance and Integrity

Programs, policies and practices

This is part of a series of documents that provide additional information on the programs, policies and practices related to the citizenship priorities of Royal Bank of Canada (RBC®). The series supplements our annual corporate citizenship reporting, which provides an overview of our priorities, key performance indicators and annual highlights of corporate citizenship issues relevant to financial services companies in general, and to RBC in particular. It complements the information on the results of our operations and financial condition provided in our Annual Report and governance and executive compensation information disclosed in the Management Proxy Circular (available at rbc.com).

Governance and integrity are the foundation of a responsible business. The actions we take and the procedures and policies we follow become the sum of our efforts to achieve the highest standards for ethical behaviour and transparency. This is how we earn the trust of our clients and community partners, and deliver on our promise of accountability to all of our stakeholders. Our Board of Directors actively engages with our management team to ensure we have the right strategy, talent and risk management to identify suitable opportunities for growth and continue to create long-term value.



Our Priorities

- Responsible governance
- Conduct and trust
- Risk management
- Responsible procurement

Responsible governance

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 policies and reports, including charters of the Board of Directors, our Management Proxy Circular and Director Independence Policy, can be found at rbc.com/governance.

Below, we describe our Corporate Governance Framework, the policies and practices of our Board of Directors and its structure, and our approach to executive compensation and shareholder engagement.

Corporate Governance Framework

Our Corporate Governance Framework provides an overview of our corporate governance structure, principles, policies and practices of the Board of Directors, and describes the core principles that guide our approach to governance.

We believe that good governance is an essential component of an ethical corporate culture that builds trust and value for all stakeholders. We continually strengthen the bank's governance practices, bringing focus to priorities such as board diversity, board member expertise and executive compensation.

To serve the interests of shareholders and other stakeholders, RBC's corporate governance system is subject to ongoing review, assessment and improvement. The Board of Directors 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.

The Corporate Governance Framework can be found at rbc.com/governance.

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
- Adoption of a Director Effectiveness Framework (outlined in our [Proxy Circular](#)), which guides the Governance Committee's assessments of the Board and Board committees. The skills, commitment and conduct that are expected of new and current directors are laid out in this Framework.
- 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 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 behaviours for Directors
- Adoption of tenure policies applicable to the Board Chair, Committee Chairs and all Board members
- Director minimum share ownership requirement of \$750,000, within five years of joining the Board
- 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

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 bylaws and the Bank Act, as well as other applicable laws and regulations, including those imposed by the CSA, the TSX, the NYSE and the SEC.

For more information, please visit www.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 Citizenship at RBC](#) for a snapshot of how we manage the corporate citizenship function at RBC.

Board structure

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.

Function/responsibility	Committee
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 citizenship	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.

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 interests 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.

Also, for more information on our pay for performance approach to compensation, please see our [About Value for Employees backgrounder](#).

Stakeholder engagement

Accountability is one of our key Values that underpins our principles-led organization. We believe we are accountable to our stakeholders regarding corporate citizenship issues and should provide relevant disclosure on topics that matter to them. We also believe our stakeholders deserve to have access to timely information in a format that best suits their needs.

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 and see our Management Proxy Circular available at 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. Our stakeholders include current and prospective clients, investors, employees, the socially responsible investment research community, suppliers, governments, regulators,

non-governmental organizations (NGOs) and community organizations. 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 our [About Value for Clients backgrounder](#).
- **Employees:** For information about how we involve employees and other stakeholders in the development of workplace programs, please see our [About Value for Employees backgrounder](#).
- **Communities:** For information about how we involve our communities in decisions regarding our donations and environment programs, please see our [About Value for Society backgrounder](#).

Conduct and trust

Financial services companies depend on a foundation of trust and effective risk management for their long-term success. Strong governance principles, systems and control processes underpin our employees' shared expectations of one another and are key to maintaining our culture of integrity. One of our priorities is to uphold principles, policies and procedures that promote integrity and ensure compliance with applicable laws and regulatory requirements. Transparency and accountability are cornerstones of responsible governance. 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.

Code of Conduct

RBC is a values-based organization. Respect for each other, RBC clients and our commitments to all our stakeholders are rooted in our Values. RBC's [Code of Conduct](#) (the "Code") incorporates RBC's Values, and in particular our Value of Integrity, to guide our day-to-day actions and decisions so we can always do the right thing. The Human Resources and Governance Committees of the Board are jointly responsible for the Code.

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

The Code is integral to the way we do business at RBC and reflects our fundamental values. The spirit and intent of the RBC Code of Conduct are based on the principles of honesty, integrity and the highest ethical standards. Our stakeholders rely on the accuracy of our financial reporting. To maintain the highest possible standards of honest and ethical behaviour and to meet our regulatory and compliance requirements, all RBC employees and contract workers must successfully complete RBC's Code of Conduct Training Program as a condition of their employment at RBC. Tracking of compliance is performed using an automated system, which sends reminder notifications to employees and automatically escalates delayed compliance to managers and superiors by function. New employees and contract workers to RBC must successfully complete the training and acknowledge their obligation to comply with the Code within 30 days of their start date.

At RBC, overall performance is assessed on results and behaviours.

Inappropriate behaviour that is a breach of the RBC Code and non-completion of mandated responsibilities are considered in assessing an employee's performance. Non-adherence to the RBC Code may result in termination of employment or disciplinary action and can negatively impact an employee's performance evaluation and associated remuneration. Our Human Resources and Global Compliance departments provide comprehensive semi-annual reports to the Group Risk Committee and the Governance Committee of the Board on:

- Code training completion rates
- An analysis of Code of Conduct breaches and remedial actions taken
- A description of any waivers granted in respect of the Code of Conduct
- A description of initiatives relating to the Code of Conduct

For more information, please see our [Code of Conduct](#) and our [Value for Employees backgrounder](#).

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. The Office of the Ombudsman provides an impartial service for open and voluntary discussion of concerns and issue resolution. As an impartial avenue of appeal, the Office of the Ombudsman is not an advocate for either RBC or its clients. We ensure that disputing parties have an opportunity to listen to one another and attempt resolution in an open, unbiased forum. Our investigations focus on the facts and establishing fairness in all the circumstances. Dispute resolution specialists investigate both sides of the issue and assist the parties in reaching a fair and reasonable resolution. Recommendations are non-binding and parties are free to pursue other avenues if agreement is not reached. More information on the Office of the Ombudsman can be found at <http://www.rbc.com/ombudsman/>.

In addition to the information found in the [Policies and Programs](#) section of our [Reporting & Performance webpage](#) and in our [Code of Conduct](#), information relating to our reporting hotline can be found on our governance website at rbc.com/governance.

Supporting policies

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 (ABAC) Policy supports the efforts of governments and other groups around the world that 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. The Policy sets consistent enterprise-wide standards, which address, among other things, corruption and bribery of both government officials and private persons, requirements for internal controls to identify and manage areas of bribery and corruption risk, and measures to address the specific anti-bribery anti-corruption requirements of the jurisdictions in which RBC conducts business. The Policy prohibits RBC entities, employees and any party acting on behalf of an RBC entity from ordering, authorizing, assisting, giving or receiving an offer, gift, payment, authorization of payment, item of value, excess hospitality (or the promise of any of these items)

with the intent of assisting RBC in obtaining an unfair advantage, or causing a person to act or not to act with the corrupt intent of obtaining or retaining business, or directing business to any person, either directly or indirectly, including but not limited to a government official.

The Integrity in How We Do Business section of the Code of Conduct governs every aspect of our business and supports (among other concepts) our anti-bribery and anti-corruption measures. In addition, applicable designated employees must successfully complete Anti-Trust and Competition Law training every two years.

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. To supplement the Code of Conduct, RBC has a mandatory, online Anti-Money Laundering and Anti-Terrorist Financing training and certification program, which all employees must complete annually. In addition, RBC provides annual targeted ABAC online training to those employees deemed at higher risk of exposure to bribery and corruption, taking into account the geographical location of the business/employee, type of business and employee role/position.

For more information on our AML certifications, please visit 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. Please see our [Annual Report](#) for more information on fiduciary risk.

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 Value for Clients](#) and visit 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.

Lobbying and Political Contributions

Please see the [RBC Statement on Lobbying and Political Contributions](#) for information on our governance structures and responsibilities, approach, public policy positions taken and a list of memberships and associations.

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. An informed and responsible approach to risk management is a core competency of RBC. The ability to manage risk well is supported by our strong risk conduct and culture, which is a shared set of behavioural norms that sustain RBC's core values, protect our clients, safeguard our shareholders' value and support market integrity and stability from undue risk. 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) 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

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.

Our Enterprise Crisis Management Team (CMT), which comprises senior executives from across the organization, is responsible for ensuring continued service to our clients during a 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.

Addressing emergency risk situations also forms part of the set of responsive measures established within our Reputation Risk Framework, one of our risk-specific frameworks supporting RBC's Enterprise Risk Management Framework. Reviewed annually by the Risk Committee of the Board, the Reputation Risk Framework provides an overview of our approach to the management of reputation risk, including definitions, principles, sources of reputation risk, mechanisms and protocols for mitigating reputation risk and organizational and oversight responsibilities.

Environmental and social risk management

RBC clients have a broad array of financial needs, from traditional operating loans to debt and equity underwriting. Whatever the nature of the financing, we work with our clients to identify, assess and mitigate the environmental and social risks associated with their business activities. Throughout this process we provide valuable advice to clients to help reduce their risk while considering the

impact of environmental and social issues. This is consistent with our leadership role in environmental and social risk management, and reflects our commitment to our corporate purpose of helping clients thrive and communities prosper.

Our environmental and social risk management (ESRM) process is designed to ensure we apply a suitable level of due diligence on clients and on transactions. We maintain a suite of ESRM policies designed to identify, assess and mitigate environmental and social issues that may pose risks to the client, and to RBC. When appropriate, these issues are escalated to our dedicated ESRM team for additional review and consideration. Our ESRM policies are reviewed regularly to ensure they continue to address material environmental and social risks, regulatory changes, and international best practices.

Please see [rbc.com/community-sustainability/environment/responsible-financing.html](https://www.rbc.com/community-sustainability/environment/responsible-financing.html) for more information on:

- Enterprise-wide ESRM Policy
- Financing projects: the Equator Principles
- ESRM approach for Capital Markets
- ESRM approach for Commercial and Small Business Banking

Due diligence process

We consider the size and type of transaction, loan to value ratios, term of the loan, and the sector or industry in which the client operates to identify transactions that require additional enhanced E&S due diligence. Enhanced E&S due diligence may include: borrower questionnaires, site visits, environmental site assessments and environmental and social reviews by third-party consultants. When necessary, due diligence documentation is escalated for review by a dedicated team of E&S risk experts, who provide a recommendations for consideration by the credit adjudication teams. We consider international best practices and standards as a guideline for our approach to E&S due diligence such as: the Equator Principles, International Finance Corporation Performance Standards, the Canadian Standards Association (CSA), and ASTM International.

Based on the enhanced due diligence review, we may put in place mitigation or management requirements to address identified E&S issues.

Restricted transactions

There are certain types of clients and transactions that RBC avoids in all cases. These include, but are not necessarily limited to:

- Financing¹ of companies involved in the design, manufacturing, export or sale of equipment or materiel for chemical or biological warfare, landmines or cluster bombs
- Financing of companies involved in the design, production, manufacturing, export or sale of new/next generation nuclear weapons
- Financing of private sector internet gambling
- Granting of credit to entities subject to economic sanctions or on our “no credit” lists
- Credit transactions with the appearance of illegal activity, or misleading financial statements or regulatory reporting
- Credit transactions involving undocumented agreements, disbursements or funds transfers
- Granting of credit to a business or individual engaged in activities inconsistent with generally accepted standards of ethical behaviour in the community
- Situations where it is clear that RBC would be providing implicit or indirect financing support for transactions involving any of the above activities

In addition to the restrictions listed above, our risk principles guide our decisions. We avoid all activities that are not consistent with our Values, Code of Conduct or policies. Our reputation is one of our most valuable assets, and we will not pursue any transaction, loan, deal, client or profit opportunity that puts our reputation at risk. Any transaction, product, business activity or client relationship that potentially exposes RBC to reputational risk is subject to broad and senior executive review, which can lead us to restrict a particular transaction, product, business activity or client relationship.

We review and update our Credit Risk Framework and policies regularly to ensure that our financing activities are consistent with sector best practices.

¹ Includes investment banking activities. In addition, RBC’s asset management divisions prohibit investments in cluster bomb manufacturers.

This includes identifying, measuring, controlling and reporting on the reputation risk derived from business activities with entities that violate human rights. One mechanism used to mitigate the human rights risk exposure is the use of Country Control Lists, where human rights is one of a number of factors evaluated. As part of our regular update of the Enterprise Risk Management Framework and its supporting frameworks and policies, we continue to review existing guidance on human rights to ensure it accurately articulates RBC’s Values and our culture of integrity.

For a full overview of our risk management policies, please see our Annual Report at rbc.com/investorrelations/annual-meeting-reports.html.

Responsible products

As a financial institution focused on the needs of our clients, we strive to provide products and services tailored to our clients’ investment priorities. One of our priorities is to develop products and services responsibly. For instance, when we provide credit we strive to ensure that clients are able to manage their debt comfortably; we believe this is not just a sound risk management practice, but it is part of responsible lending practices.

Development of products and services

RBC has an enterprise-wide policy that sets out a rigorous process for assessing the risks of financial products and services we develop, and lays out a clear approval process for all product and service development. Approval levels correspond to the level of risk identified, and we evaluate products for a range of risks in order to ensure they align with our risk appetite and applicable laws and regulations. Products, services and client relationships with potentially significant reputation risk, inclusive of structured products and transactions, are subject to the requirements of RBC’s Reputation Risk Policy for Transactions, Products and Clients. This policy requires Board and senior executive review via the Reputation Risk Oversight Committee.

Mortgage lending

Unsustainable mortgage lending has been one of the largest issues affecting the financial services sector in the past decade. RBC has very strict employment and income requirements for clients seeking mortgages and verification guidelines, which we apply prior to extending a mortgage. The Bank's strategy continues to focus on mortgage origination through direct channels. We also ensure that customers can manage their debt loads by assessing individuals on a case-by-case basis and offering lending products and loan amounts that suit their needs. We have strong and disciplined underwriting practices, with low losses on our mortgage portfolio, which is primarily in our domestic (Canadian) market. We continue to actively manage our entire mortgage portfolio and perform stress tests, which indicate that a vast majority of our residential mortgage and Homeline® clients have sufficient capacity to absorb additional payments in the event of a shock to one of the above-noted parameters.

Responsible procurement

RBC purchases goods and services from thousands of suppliers in Canada and around the world, providing a direct contribution to these economies. Our procurement expenditures have a ripple effect – we pay our suppliers, who in turn hire employees, pay taxes, invest in research and purchase their own goods and services – in what becomes a virtual cycle. We make it a priority to practice responsible and sustainable procurement and seek to manage our supply chain effectively. We have a principles-based Supplier Code of Conduct that suppliers are expected to abide by, and we monitor the supplier's acknowledgment of the Code. The Code sets out our expectation that suppliers will adhere to human rights, labour and employment standards legislation, and treat employees fairly and with respect.

As part of our responsible and sustainable sourcing strategy, RBC is committed to working in partnership with our suppliers to set clear expectations as to how their representatives and employees should supply goods and services to RBC. We ask suppliers to provide details on their commitment to responsible environmental management, employee health and safety, ethical business

practices, compliance with labour standards, supplier diversity and workforce diversity. We may also ask prospective suppliers to provide extensive corporate and financial information, including a declaration of conflicts, lawsuits or administrative complaints and charges, industry experience and references.

Support for diverse and local suppliers

RBC is committed to increasing opportunities for diverse suppliers to sell goods and services, and compete for business, to continually work towards a truly inclusive supply chain. Our goal is to advance equality of opportunity to businesses owned by Aboriginal people, Minorities, Women, LGBT, people with disabilities and veterans.

We are a founding member of the Canadian Aboriginal and Minority Supplier Council (CAMSC) and an inaugural sponsor of WBE Canada, a not-for-profit organization that promotes women-owned businesses in the supply chain and a founding gold program partner of the Canadian Gay and Lesbian Chamber of Commerce (CGLCC). As a Patron member of Canadian Council for Aboriginal Business (CCAB) and initiated the formation of Inclusive Workplace and Supply Council of Canada (IWSCC) We use certified diverse supplier information from certifying councils to identify potential diverse suppliers who can compete for RBC business. RBC also collaborates with NMSDC, WBENC, NGLCC and NVBDC in the U.S., and we work together with these organizations to promote supplier diversity and provide opportunities to diverse suppliers. RBC is member of Financial Services Roundtable for Supplier Diversity (FSRSD) to strengthen the Supplier Diversity initiatives of companies within the financial services industry.

We also have transformed our flagship Supplier Diversity Mentorship Program into the new Enhanced Supplier Development Program that offers business development for diverse suppliers to grow their corporate business. The program is intended to help diverse suppliers improve their ability to compete for business from large corporations such as RBC, and to increase our potential supplier base. On this new program RBC conducts procurement category focus workshops where RBC partners with CAMSC, CCAB, CGLCC, IWSCC and WBE Canada to connect diverse suppliers with RBC Category subject matter experts for opportunities.

Supplier Code of Conduct

The principles-based Supplier Code of Conduct sets out RBC's expectations of suppliers to ensure their behaviour aligns with RBC standards. It formalizes and standardizes RBC's approach to responsible procurement. As part of the Code, suppliers must, among other things, adhere to human rights, labour and employment standards legislation, and treat their employees fairly and with respect, including respect for diversity. We have created an ongoing process to monitor the acknowledgement of the Supplier Code of Conduct. The end goal is to ensure all our suppliers meet the expectations of both RBC and our clients to act as good corporate citizens.