About Governance and Integrity

Programs, policies and practices
Governance and integrity are the foundation of a responsible business. Our high standard of governance is consistent with regulatory expectations and evolving best practices, and aligns with our strategy and risk appetite. We believe good governance is not just about overseeing RBC and its practices, but doing so in a way that’s transparent and ethical. It involves an independent Board of Directors 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, setting robust standards and principles that guide RBC to success, and delivering on our stated purpose: to help clients thrive and communities prosper.

Our priorities
- Responsible governance practices
- Conduct and trust
- Risk management
Responsible governance practices

We are committed to the ongoing pursuit of strong and effective governance practices. Corporate governance broadly refers to the way 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 the charter and mandates of the Board of Directors, Board chair and Board committees, our Management Proxy Circular and the Director Independence Policy, can be found on our Governance website.

In this document, 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 and the principles, policies and practices of the Board of Directors. It also 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 our 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.

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 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:

- Adopting the RBC Corporate Governance Framework and transparent disclosure statements in our proxy statements detailing governance policies, processes and controls
- The Board of Directors adopting the diversity objective that directors comprise at least 30% women
- Adopting the comprehensive Director Independence Policy, which incorporates more stringent independence criteria for members of the Audit Committee and Human Resources Committee
- Adopting the Director Effectiveness Framework (outlined in our Management Proxy Circular), which guides the Governance Committee’s annual review of the effectiveness 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 comprising only independent directors
- Appointing 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
- Requiring a director to resign if majority shareholder support is not received at the annual meeting
- Independent directors meeting after each regularly scheduled Board of Directors and Board committee meeting
- Outlining explicit oversight responsibility for corporate citizenship in the Governance Committee mandate
- Including reports from each of the Board’s committees in our Management Proxy Circular
- Giving every committee of the Board of Directors the authority to retain and approve the fees of independent, external advisors
- Implementing processes for director orientation and onboarding, integration and personal development for the Board of Directors
- The Board adopting an express statement of essential characteristics and behaviours for directors
- Adopting tenure policies applicable to the Board chair, committee chairs and all Board members
- Enforcing a director minimum share ownership requirement of $1.2 million within five years of joining the Board
- Ensuring the transparency of senior management remuneration and adopting a policy for an annual shareholder advisory vote on our approach to executive compensation
- Adopting 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 (Canada), as well as other applicable laws and regulations, including those imposed by the Canadian Securities Administrators, the Toronto Stock Exchange, the New York Stock Exchange and the U.S. Securities and Exchange Commission.

For more information, please visit our Governance website, where the following governance-related documents are available:
- RBC Code of Conduct
- Charter of the Board of Directors
- Board committee memberships and mandates
- Non-executive chairman mandate
- Committee chair mandate

- RBC Corporate Governance Framework
- Statement of Corporate Governance Practices
- Director Independence Policy
- 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**

Our governance structure establishes the fundamental relationships among the Board, its committees, management, shareholders and other stakeholders. This structure is the context in which we set ethical values, corporate strategies and objectives.

For information on the key functions and responsibilities of each of the committees of the Board of Directors, performance evaluation of the Board of Directors and each of its committees, and director peer evaluations, please see the Management Proxy Circular.

**Executive compensation**

Accountability and transparency around 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 evolves with best practices. The Board of Directors, supported by the Human Resources Committee, 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 that 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 philosophy and principles it is based on, please see our Management Proxy Circular.

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.

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 this meeting, shareholders vote, either in person or by proxy, on matters including:

- Election of directors
- Appointment of our auditor
- Executive compensation
- Shareholder proposals

For more information about annual meetings and shareholder engagement, please visit rbc.com/investorrelations/annual-meeting-reports.html.

We are also responsible for 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, rating agencies, 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 environmental programs, please see our About Value for Society backgrounder.

Conduct and trust

As a financial services company, we have an obligation to serve our clients with integrity and safeguard the trust they put in us. We define conduct as the tangible manifestation of culture through the behaviours, judgments, decisions and actions of the organization and its individuals. 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. We believe in transparency and accountability, cornerstones of responsible governance, and will continue to enhance our practices and reporting in response to both regulatory changes and emerging best practices.

The Board sets and expects the highest standards of conduct at RBC to build and maintain the trust of our clients, investors, colleagues and the community. 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 conduct and culture is broad and demands that we adopt a continuous improvement mindset towards our practices.

The Governance Committee of the Board oversees the management of conduct. It continues to enhance Board and committee reporting on conduct and culture matters – including client outcomes, employee conduct and culture as well as any impact on the integrity, soundness and resilience of financial markets and our reputation. The Board also monitors emerging trends and best practices to help refine a holistic approach to overseeing these critical issues. It meets on a regular basis with the chief human resources officer, the chief risk officer, the chief compliance officer and general counsel to review key matters and progress on programs that strengthen enterprise conduct.
Code of Conduct

RBC is a values-based organization. Respect for each other, RBC clients and our commitments to all our stakeholders is rooted in our Values. RBC’s Code of Conduct (the “Code”) incorporates our 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 Board of Directors of RBC approves the Code.

The Code 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 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 Code 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 annually as a condition of their employment at RBC. RBC tracks their compliance with an automated system that sends reminder notifications to employees and automatically escalates delayed compliance to managers and superiors by function. New employees and contract workers at 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 based on results and behaviours. Inappropriate behaviour that is a breach of the Code and non-completion of mandated responsibilities are considered in assessing an employee’s performance. Non-adherence to the 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, which include:

- 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
- A description of initiatives relating to the Code

For more information, please see our Code of Conduct and our About Value for Employees background.

Reporting suspected irregularities

All RBC employees have a duty to report actual, or possible, misconduct that we become aware of, even our own. This includes speaking up about conduct that is, or may be, in violation of the Code, policies and law, or is otherwise unethical and could put RBC at risk of loss or harm. 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 Conduct Hotline is a confidential channel for all employees to report misconduct. A third party independent of RBC administers the Conduct Hotline, and employees can use it to report and track the status of their report anonymously.

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 the interests of its employees, contract workers, suppliers, clients or other third parties. Where a conflict exists, or appears to exist, the parties involved must take appropriate steps 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 they will not vote on 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 its pre-approval of audit 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 operating 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 ABAC requirements of the jurisdictions where 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 RBC’s Anti-Trust and Competition Law training every two years.

Anti-money laundering (AML) and anti-terrorist financing (ATF) policy
Our enterprise-wide AML and ATF policy and our compliance program are designed to deter, detect and report suspected money laundering, terrorist financing, bribery, corruption and activities that may violate applicable economic sanctions. A chief anti-money laundering officer is appointed to oversee the design, content and implementation of RBC’s enterprise-wide Financial Crimes and AML Program, which is designed to mitigate the risk of RBC products or services being used for the perpetration of financial crime, and to ensure compliance with the laws and regulations across the multiple jurisdictions where RBC operates. To supplement the Code of Conduct, RBC has a mandatory, online AML and ATF training and certification program, which all employees must complete annually. In addition, RBC provides annual targeted ABAC online training to those employees who have a 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 guideline, 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.

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 we’ve taken and a list of memberships and associations.

We also have automated systems and other processes that scan client names and payment information and check them 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.

Tax governance
The Audit Committee of the Board of Directors oversees RBC’s financial reporting including our tax reporting.

Oversight of our tax policy and the management of tax risk is the responsibility of the Group Executive, the chief financial officer and the senior vice president of Taxation, and is discussed with the Audit Committee on a regular basis.

Both Taxation and Group Risk Management (GRM) regularly review the activities of RBC and its subsidiaries to ensure we are compliant with all tax and other regulations. We commit to:

- Acting with integrity and in a straightforward, open and honest fashion in all tax manners
- Ensuring our tax strategy aligns with our business strategy, supporting only bona fide transactions with a business purpose and economic substance
- Ensuring we are fully compliant with tax authorities and providing full disclosure of our statutory obligations to them
- Ensuring all inter-company transactions are conducted at arm’s length, are based on tax transfer pricing principles and meet documentation requirements under the local country laws for each jurisdiction where we operate
- Endeavouring to work with tax authorities to build positive long-term relationships and, where disputes occur, address them constructively

For more information on taxes paid globally, please refer to the Annual Report and the ESG Report and Public Accountability Statement.
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 conduct and risk 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 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 approval 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 for information on our:

- Risk drivers
- Risk governance
- Risk appetite
- Risk measurement (including stress testing)
- Risk control (including the Enterprise Risk Management Framework)
- Conduct and risk culture
- Approach to a variety of risk factors, including credit risk, market risk, liquidity 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 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 in our Reputation Risk Framework, one of our risk-specific frameworks supporting RBC’s Enterprise Risk Management Framework. Reviewed regularly 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, potential 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 financing to debt and equity underwriting and other services. Whatever the nature of our banking relationship, we work with our clients to identify, assess and mitigate the actual or potential environmental and social risks associated with their business activities. Throughout this process we
provide valuable advice to clients to help reduce their risk while promoting environmental and social interests. This is consistent with our leadership role in environmental and social risk management, and reflects our commitment to a balanced, responsible approach to business.

Our environmental and social risk management (ESRM) process is designed to ensure we apply a suitable level of due diligence when dealing with clients and transactions. We maintain a suite of ESRM policies designed to identify, assess and mitigate the environmental and social risks associated with providing banking services to our clients. When appropriate, these issues are escalated to our dedicated ESRM team for additional risk review and assessment. We proactively review and update our ESRM policies and procedures to address regulatory changes, emerging and evolving issues, and industry best practices.

Please see our Responsible Financing website 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 a transaction, loan to value ratios, the term of the loan and the sector or industry where the client operates to identify transactions that require additional enhanced environmental and social (E&S) due diligence. Enhanced E&S due diligence may include borrower questionnaires, site visits, environmental site assessments, and environmental and social assessments by third-party consultants. When necessary, due diligence documentation is escalated for review by a dedicated team of E&S experts, who provide recommendations to 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, Canadian Standards Association (CSA) and American Society for Testing and Materials (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:

- Financing companies involved in the design, manufacturing, export or sale of equipment or materiel for chemical or biological warfare, landmines or cluster bombs
- Financing companies involved in the design, production, manufacturing, export or sale of new/next generation nuclear weapons
- Financing private sector internet gambling
- Granting 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 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

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1 Includes investment banking activities. In addition, RBC’s asset management divisions prohibit investments in cluster bomb manufacturers.
In addition to the restrictions listed above, our risk principles guide our decisions. We avoid all activities that are inconsistent with our Values, Code of Conduct or policies. 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 or decline a particular transaction, product, business activity or client relationship.

We review and update our Enterprise Credit Risk Management Framework and supporting policies regularly to ensure our financing activities are consistent with industry best practices. This includes using Country Control Lists, where a country’s record on human rights is one of the critical 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 additional details on our risk management policies, please see our Annual Report.

**Responsible lending**

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 and service their debt comfortably: we believe this is not just a sound risk management practice, but an integral 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 the 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 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, Clients and Third Parties including, where appropriate, senior executive review by 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. Our strategy continues to focus on mortgage origination through direct channels. We also ensure 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 few losses in 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 RBC Homeline Plan® clients have sufficient capacity to absorb additional payments in the event of a shock to one of the above-noted parameters.