

Statement of Corporate Governance Practices

RBC and its Board of Directors are committed to maintaining high standards of governance which comply with all regulatory standards and reflect evolving best practices that are in the interest of the organization.

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

RBC common shares are listed on the Toronto Stock Exchange (TSX), the New York Stock Exchange (NYSE) and the Swiss Exchange (SIX). The board exercises its authority in accordance with our Code of Conduct, our By-laws and the

Bank Act, as well as other applicable laws and regulations, including those imposed by the Canadian Securities Administrators (CSA), the TSX, the NYSE and the U.S. Securities and Exchange Commission (SEC).

Our practices are consistent with *Bank Act* requirements, the corporate governance guideline of the Office of the Superintendent of Financial Institutions Canada (OSFI) and the CSA's corporate governance guidelines (CSA Guidelines) and its rules and applicable SEC rules relating to audit committees. Although RBC is not required to comply with most of the corporate governance listing standards of the NYSE (NYSE Rules) applicable to U.S. domestic issuers, we meet or exceed the NYSE Rules in all significant respects except as summarized on our website at rbc.com/governance. Our approach to governance is also in line with the guidelines of the Canadian Coalition for Good Governance set out in *Building High Performance Boards*.

Corporate Governance Principles

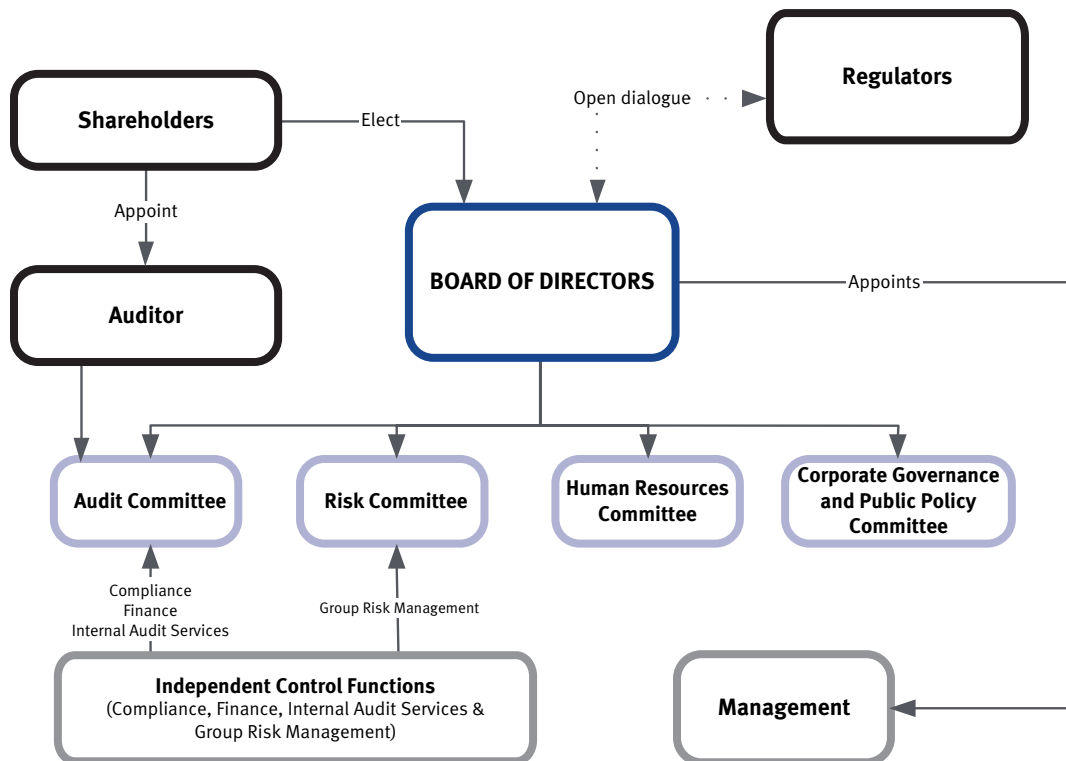
Our approach to corporate governance is guided by the following core principles:

Principle	Description
Ethical Culture	Trust, integrity and good governance are hallmarks of the board's governance approach. In setting the tone at the top, the board nurtures the strong corporate values that are well entrenched in the culture of RBC and reinforces the ethical principles on which RBC's reputation and success are founded. To maximize shareholder value on a sustainable basis, these values must extend into every segment of our operations and business activities.
Stewardship	The members of the board are the stewards of RBC, exercising independent judgment in supervising management and safeguarding the interests of shareholders. In fulfilling its stewardship role, the board seeks to instill and foster a corporate environment founded on integrity and to provide management with sound guidance in pursuit of long-term shareholder value.
Independence	Independence from management is fundamental to its role, and the board has put effective mechanisms in place to ensure its independence. All direct and indirect material relationships with RBC are considered in determining whether a member of the board is independent.
Oversight of Strategy	The members of the board are key advisors to management, overseeing strategic direction and the formulation of plans, taking into account both opportunities and risks of RBC's businesses. In carrying out its oversight role, the board actively engages in setting long-term strategic goals for the organization, reviews and approves business strategies, corporate financial objectives, and financial and capital plans that are consistent with the strategic goals, and monitors the Bank's performance in executing strategies and meeting objectives.
Oversight of Risk	A key priority of the board is embedding a strong risk management culture throughout the organization and overseeing the frameworks, policies and processes adopted to identify principal risks to the businesses and systems implemented to manage those risks. The board actively monitors the organization's risk profile relative to risk appetite and seeks to ensure that management's plans and activities provide an appropriate balance of return for the risks assumed and are prudently focused on generating shareholder value.
Accountability	The board has carefully defined the expectations and scope of duties of the board, its committees and management. Transparency is fundamental to good governance, and the board takes seriously RBC's commitment to constructive shareholder engagement and clear and comprehensive disclosure and financial reporting.
Continuous Improvement	The board is committed to continuous improvement of RBC's corporate governance principles, policies and practices, which are designed to align the interests of the board and management with those of shareholders, to support the stewardship role of the board and to enhance the board's ability to safeguard the interests of shareholders through independent supervision of management. RBC's corporate governance system is subject to ongoing review by the board, to ensure our policies and practices meet or exceed evolving best practices and regulatory expectations.

Note: In this Statement of Corporate Governance Practices "RBC" and "the Bank" mean Royal Bank of Canada and "CEO" means the President and Chief Executive Officer of the Bank.

Governance structure

The fundamental relationship among the board, management, shareholders and other stakeholders is established by our governance structure, illustrated below, through which our ethical values and corporate objectives are set and the plans for achieving those objectives and monitoring performance are determined.



Independence of the board

The board believes that independence from management is fundamental to its effectiveness. Every member of the Board of Directors, other than Gordon M. Nixon who is CEO, has been affirmatively determined to be independent.

As a Canadian financial services company listed on the TSX and NYSE, RBC is subject to various guidelines, requirements and disclosure rules governing independence of the board and its committees.

Independence standards

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

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

Our Policy incorporates criteria from the “affiliated persons” regulations under the *Bank Act* and the definition of “independence” in the CSA Guidelines. A director will be considered independent only if the director is unaffiliated

with RBC and the board has affirmatively determined that the director has no direct or indirect material relationship with RBC. A material relationship is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of independent judgment. For members of our Audit Committee and our Human Resources Committee this Policy sets higher standards, including considerations relating to fees accepted from the Bank. Our Director Independence Policy has been filed with securities regulators at sedar.com and is available on our website at rbc.com/governance.

Assessing independence

Information concerning personal and business relationships between each director and RBC, including the provision of banking and financial services, is used by the board in its analysis and subsequent determination of director independence. This information is collected through a due diligence process that includes the following sources:

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

Any relationships between a director and RBC are tested against the materiality thresholds set out in the Director Independence Policy. The board also takes into account all other facts and circumstances that it deems relevant in

determining whether the relationships could be reasonably expected to interfere with the exercise of the director's independent judgment. In its evaluation and analysis, the board considers the nature and extent of these relationships and their importance not only to the director and to RBC but also to entities with which the director is affiliated.

Determinations of independence

The board has analyzed the relationships between each director nominee and RBC and, on advice from the Corporate Governance and Public Policy Committee, has affirmatively determined that 13 of the 14 persons proposed in the Proxy Circular for election as directors (over 92%) have no direct or indirect material relationship with RBC and are unaffiliated under the *Bank Act* and are therefore independent. The *Bank Act* requires that the CEO be a member of the board and, as CEO, Mr. Nixon is not independent and is affiliated with RBC. Mr. Nixon is not a member of any of the committees of the board. Board committees are comprised entirely of independent directors.

The board has also determined that every member of our Audit Committee meets the additional Canadian and U.S. independence requirements for membership on public company audit committees and that every member of our Human Resources Committee meets the additional independence requirements for membership on public company compensation committees.

Other independence mechanisms

The board has established other important governance policies and practices to enhance board independence:

- Each board committee and, with the approval of the Chair of the Board, individual directors may engage external advisors at the expense of RBC.
- To facilitate open and candid discussion among the directors, the Chair of the Board leads sessions attended only by independent directors following regularly scheduled board meetings. There was an independent directors' session at the end of each board meeting held during the 2013 fiscal year.
- Members of the Audit Committee may serve on the audit committees of only three public companies, including RBC.
- No more than two board members may sit on the same public company board, as further described below.

Interlocking board membership

The board limits the number of common memberships on boards of public companies on which directors may serve. The biographies starting on page 5 of the Proxy Circular identify the other public companies of which each nominee is a director. The only interlocking public company board membership among our directors is set out below.

Company	Director	Committees
Maple Leaf Foods Inc.	W. Geoffrey Beattie	Corporate Governance Human Resources & Compensation
	Michael H. McCain	None

The board has determined that this common board membership does not impair the ability of these directors to exercise independent judgment as members of our Board of Directors.

Independent Chair of the Board

An independent director, Kathleen P. Taylor, is the Chair of the Board of Directors

Through a selection process that was led by the former Chair of the Board, David P. O'Brien, and included a series of one-on-one meetings with individual directors, the board appointed Kathleen P. Taylor as Chair effective January 1, 2014.

The Chair of the Board is responsible for the management, development and effective functioning of the Board of Directors and provides leadership in every aspect of its work. She also serves as Chair of the Corporate Governance and Public Policy Committee. She has unrestricted access to management, as well as the authority to engage, at the expense of RBC, independent legal counsel or other advisors and to approve the fees and terms of their engagement. In carrying out her duties, the Chair of the Board:

- Chairs meetings of shareholders and of the Board of Directors and sessions of independent directors.
- Serves as a liaison among the directors and between the board and senior management, providing feedback to the CEO.
- Acts as a key advisor to the CEO on major issues.
- Participates in the orientation and mentoring of new directors and the continuing development of current directors.
- Oversees the process for regular director peer review and supplements the formal review process by meeting with each director individually.
- Participates as a member of the Human Resources Committee in overseeing succession plans for key senior management roles.

The board reviews and approves any changes to the written position description for the Chair of the Board, which is available at rbc.com/governance. The board's Human Resources Committee annually assesses the effectiveness of the Chair of the Board in fulfilling the requirements of the position description.

Director attendance

The attendance record of individual directors is disclosed with their biographies starting on page 5 of the Proxy Circular. Every director has exceeded the minimum attendance requirement of 75% of meetings.

Board members are expected to attend the Annual Meeting of Common Shareholders as well as board meetings and meetings of committees on which they serve. Minimum attendance of 75% of board and committee meetings is required, except where the Corporate Governance and Public

Policy Committee determines that factors beyond a director's control prevented an individual from achieving the minimum attendance level. During the 2013 fiscal year, all directors attended at least 75% of board and committee meetings.

The board's role

The Board of Directors is responsible for the overall stewardship of RBC. Directors are elected by shareholders to supervise management of the business and affairs of the organization, with the goal of enhancing long-term shareholder value.

In performing its role, the board makes major policy decisions, participates in strategic planning, delegates to management the authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.

The *Bank Act* specifies certain important matters that must be dealt with by the board, such as approval of financial statements and declarations of dividends. By formal resolution, the Board of Directors reserves for itself the right to make certain decisions and delegates other decisions to management. Any responsibilities not delegated to management remain with the board and its committees. In some matters, management's discretion is limited by dollar thresholds beyond which board approval is required. For example, such thresholds exist for investments and divestitures, decisions relating to mergers and acquisitions, intra-group transactions, operating expenditures, capital and funding, and project initiatives.

Some of the board's other supervisory responsibilities are described below. The board's functions are fully described in its charter, which has been filed with securities regulators at sedar.com and is available on our governance website at rbc.com/governance.

Strategic planning

- The board reviews results of an annual assessment of the performance of our businesses.
- The board oversees our strategic direction and formulation of our plans and priorities.
- The board participates with management in an annual session dedicated to strategic planning.
- The board annually approves the strategic plan which takes into account, among other things, the opportunities and risks of the businesses.
- The board reviews and approves the organizational structure of RBC.
- The board reviews and approves our corporate financial objectives and operating plans, including significant capital allocations, expenditures and transactions that exceed delegated authorities.
- The board frequently discusses aspects of strategy and, within the context of our enterprise-wide performance management framework, monitors progress of implementation of strategic initiatives.

Identification of risks and oversight of risk management

- The board regularly meets with key banking regulators to discuss the Bank's risk profile and control environment.
- The board oversees and approves the Bank's Risk Appetite Framework.
- The board exercises its oversight of risk management principally through its Audit Committee, Risk Committee and Human Resources Committee.
- Through the Risk Committee, the board identifies the principal risks of our businesses and oversees the risk control environment. Among other things, that Committee reviews risk management policies and processes concerning credit risk, market risk, operational risk, liquidity and funding risk, reputational risk, insurance risk, environmental risk and other risks.
- The Risk Committee receives regular reports on key risks affecting RBC, reviews the organization's risk profile relative to its risk appetite, oversees the structure of management's approach to defining the type and amount of risk that is appropriate to accept, and seeks to ensure there is an appropriate balance of return for the risks that are prudently assumed.
- The Audit Committee receives regular reports on regulatory compliance matters, including anti-money laundering and anti-terrorism financing.
- The Human Resources Committee is responsible for reviewing the alignment of the Bank's major compensation programs and policies with sound risk management principles.

Succession planning and evaluation of management performance

- The board and its Human Resources Committee supervise succession planning processes which include selection, appointment and the development of the CEO and Group Executive.
- The board reviews the depth and diversity of succession pools for the CEO and other key leadership roles and monitors the progress made by succession candidates in achieving the objectives of their development plans.
- The board annually reviews and assesses the contingency and long-term succession plans for the CEO and Group Executive.
- The Human Resources Committee assists the board in its oversight responsibilities regarding succession planning, and annually reviews the organization's leadership development strategies, succession plans for key senior leadership roles and reviews plans and programs for the assessment and development of senior talent.
- The board and the Committee evaluate and approve compensation of the CEO and senior management team in a manner that is consistent with prudential incentives.
- The performance objectives of the CEO and other members of Group Executive include ensuring solid succession for senior executive roles.

Communications and shareholder engagement

- The Board of Directors welcomes engagement with shareholders and encourages them to express their views. To allow shareholders to provide timely and meaningful feedback, the board has developed practices appropriate for the Bank's investor base to facilitate constructive engagement. Examples of such practices include meetings with institutional investors and with organizations representing a significant number of shareholders, as well as establishing methods of hearing from shareholders on an ongoing basis. The Board of Directors proactively considers and adapts, as suitable to the circumstances of RBC, emerging practices of board engagement with shareholders.
- Shareholders may communicate with the independent directors by writing to the Chair of the Board, Royal Bank of Canada, 200 Bay Street, South Tower, Toronto, Ontario, Canada M5J 2J5, or by email as indicated on our governance website at rbc.com/governance.
- The board reviews and approves the contents of major disclosure documents, including the Annual Report, quarterly reports to shareholders, the Annual Information Form, Management's Discussion and Analysis, and the Proxy Circular.
- The Bank's disclosure policy is approved by the Audit Committee. It addresses how we interact with analysts, investors and the public and contains measures to avoid selective disclosure in accordance with our policies and procedures and legal disclosure requirements.
- Procedures are in place to provide timely information to current and potential investors and respond to their inquiries.
- Our Investor Relations group is responsible for maintaining communications with the investing public. Investor Relations staff are available to shareholders by telephone, email and fax, and the Bank's significant disclosure documents are available at rbc.com/investorrelations.
- Senior executives including the CEO, other members of our Group Executive and the Vice-President and Head, Investor Relations, meet regularly with financial analysts and institutional investors.
- The quarterly earnings conference calls with analysts are broadcast live and, for a period of three months after each call, are archived on our Investor Relations website at rbc.com/investorrelations.
- The Bank's Annual Meeting is broadcast live and remains available on our Investor Relations website at rbc.com/investorrelations until the next Annual Meeting.

Integrity of internal controls and management information systems

- The board requires management to implement and maintain effective systems of internal control, including management information systems.
- The Audit Committee regularly meets with the Chief Internal Auditor and with management to assess the adequacy and effectiveness of systems of internal control.

- The board reviews and approves our financial statements and oversees our compliance with applicable audit, accounting and reporting requirements.

Fostering a culture of integrity

- The board establishes the Bank's values, as set out in our Code of Conduct and satisfies itself that a culture of integrity is maintained throughout the organization.

Governance

- Through the Corporate Governance and Public Policy Committee, the board monitors best practices in governance, develops corporate governance principles and guidelines and establishes appropriate structures and procedures to allow the board to function effectively and independently of management.
- The Audit Committee oversees the effectiveness and independence of the finance, compliance and internal audit functions.
- The Risk Committee oversees the effectiveness and independence of the risk management function.
- Periodic independent reviews are conducted of these control functions.

Position descriptions

The Board of Directors has approved written position descriptions for the non-executive Chair of the Board, the chairs of the board's committees and the CEO.

These position descriptions are available on our website at rbc.com/governance. The position descriptions of the Chair of the Board and the CEO are reviewed and approved on an annual basis.

Director orientation

The Corporate Governance and Public Policy Committee oversees the director orientation process to assist new directors in fully understanding the nature and operation of our businesses, the role of the board and its committees and the contribution that individual directors are expected to make.

To enhance the board's effectiveness, RBC seeks to have new directors become fully engaged as quickly as possible. New directors meet with members of Group Executive and with other senior officers to discuss our business functions and activities.

For new and existing board members, we have a comprehensive Director's Guide, which contains information concerning:

- qualifications and guidelines for individual directors and their principal roles and responsibilities;
- our Corporate Governance Framework, which provides an overview of the corporate governance principles, policies and practices of the board;
- the structure of the board and its committees, and board authorities and delegations;
- information relating to RBC and its management, including the organizational structure;

- the legal framework of the organization, including our By-laws; and
- key policies and procedures, including our Code of Conduct and our Director Independence Policy.

Board information needs and director continuing education

The Corporate Governance and Public Policy Committee oversees continuing education for directors and ensures procedures are in place to give the board timely access to the information it needs to carry out its duties.

In particular, directors:

- receive a comprehensive package of information prior to each board and committee meeting;
- receive reports on the work of board committees following committee meetings;
- are involved in setting the agenda for board and committee meetings;
- participate in an annual strategic planning session;
- identify their continuing education needs, through discussions with management and at board and committee meetings;
- have full access to our senior management and employees; and
- receive regular updates between board meetings on matters that affect our businesses.

For prompt dissemination of information to directors, RBC also maintains a secure board intranet site.

To assist board members in understanding their responsibilities and liabilities, as well as keeping their knowledge and understanding of our businesses current, we provide directors with an ongoing education program.

Presentations by external experts and senior executives on the business and regulatory environment and on specialized and complex aspects of our business operations are regularly provided to directors.

During the 2013 fiscal year, directors participated in educational sessions on the topics outlined in the table below.

In addition, directors received educational materials on developments in corporate governance, including summaries of the Ontario Securities Commission consultation paper relating to representation of women on boards and in senior management, the potential regulation of proxy advisory firms by the CSA, and the CSA's consultation paper on the proxy voting infrastructure.

The board also periodically participates in tours of RBC operations to familiarize directors with the Bank's businesses. In 2013, the board held meetings in New York and Calgary. Information and presentations concerning board responsibilities, as well as education on current trends in governance are also available to the directors through their membership in the Institute of Corporate Directors.

Educational sessions	Date	Audience
Global systemically important financial institutions	November 2012	Risk Committee
Impact of interest rate dynamics on RBC	November 2012	Risk Committee
Information technology risk and information security management	November 2012 April 2013	Risk Committee
Economic outlook (Canada and international)	January 2013	Board
New regulatory framework for foreign banks operating in the U.S.	January 2013	Risk Committee
Presentations on the regulatory environment for auditors and overview of current developments by an external expert and the auditor	January 2013 October 2013	Audit Committee
Enhancing the risk disclosures of banks	April 2013 October 2013	Audit Committee
Presentation on the transitional era for financial institutions by an external expert	April 2013	Board
The balance sheet through a risk lens	April 2013 May 2013 July 2013	Risk Committee
Domestic systemically important banks	April 2013	Risk Committee
Presentation on compensation trends, including overview of compensation risk management and regulatory developments by the Human Resources Committee's independent compensation consultant	May 2013	Human Resources Committee
Presentation on outlook for financial services industry and insights into industry opportunities by an external expert	July 2013	Board
Impact of technology on the financial services industry, including payments and retail banking	July 2013	Board
Presentation by an analyst on competitors' differing visions of the future and implications for banks	July 2013	Board
Review of horizontal benchmarking and its potential impact on CEO compensation and pay disparity by an external consultant	August 2013	Human Resources Committee
Presentation on current and emerging anti-money laundering regulatory expectations in Canada and the U.S. by an external expert	October 2013	Audit Committee
New accounting standards and other future accounting changes, implementation and developments around disclosures	October 2013	Audit Committee
Presentation on competitiveness of board compensation and market trends by the Corporate Governance and Public Policy Committee's independent consultant	October 2013	Corporate Governance and Public Policy Committee

Our Code of Conduct

The board endorses the principles and compliance elements expressed in our Code of Conduct, which is reviewed and approved at least annually by the Human Resources Committee and the Risk Committee. Our Code of Conduct has been filed with securities regulators at sedar.com and is available at rbc.com/governance.

By setting the tone at the top, the Board of Directors fosters a strong governance culture that influences every level of the organization.

The Code establishes written standards designed to promote integrity and ethical behaviour that apply to the Chair and members of the Board of Directors, senior management and all employees. The Code sets out fundamental principles that guide the board in its deliberations and shape the organization's business activities globally.

The Code fosters an open environment at RBC in which questions and concerns may be brought forward and requires that directors, officers and employees of the Bank and its subsidiaries promptly report suspected irregularities or dishonesty. It creates a frame of reference for dealing with sensitive and complex issues, and provides for accountability if standards of conduct are not upheld. Waivers of departures from or breaches of the Code are considered only in exceptional circumstances. Any waiver granted to an employee or contract worker must be reported to the Risk Committee and the Human Resources Committee. Any waivers for the top management team must be approved by the Risk Committee and reported to the Human Resources Committee. Any waivers for directors must be approved by the Board of Directors on the recommendation of the Risk Committee. Any waivers for the top management team or directors must be promptly disclosed. No waivers from the Code have been granted for the top management team or directors.

In 2013 the board approved an updated Code of Conduct, which became effective January 1, 2014. The updated Code reflects RBC's global businesses and new and emerging risk areas, such as social media. To enhance understanding throughout our global organization of the values and principles outlined in our Code of Conduct, an online learning program was designed and implemented, together with regular online testing. Employees must review the Code and acknowledge adherence to it when they join RBC and then annually thereafter. Members of the Board of Directors annually acknowledge they have read and understand the Code and certify that they are in compliance with its principles as they apply to the directors.

The board has approved the establishment and mandate of an Ethics and Compliance Committee, comprised of senior management, to monitor effectiveness of our overall ethics and compliance program in promoting a corporate culture that encourages ethical conduct and a commitment to compliance with laws and regulations. This committee

establishes ethics and compliance training and awareness programs and advises senior management and the board on significant compliance and regulatory issues. Regular reporting on ethics and compliance to the Risk Committee assists the board in monitoring compliance with the Code of Conduct.

Based on the spirit and intent of the Code of Conduct and the importance of maintaining the highest standards of honest and ethical behaviour, RBC has also adopted a policy establishing mechanisms for directors, officers, employees and third parties to report, on a confidential and anonymous basis, allegations of wrongdoing relating to accounting, auditing or internal accounting controls.

Conflicts of interest

Where the personal or business relationships or interests of directors and executive officers may conflict with those of RBC, they are required to disclose in writing, or by requesting to have it entered in the minutes of the 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.

Nominating committee

The Corporate Governance and Public Policy Committee, which is comprised solely of independent directors, determines criteria for selecting and assessing potential and current directors and acts as the nominating committee responsible for recommending to the board individuals qualified to become board members.

The board derives its strength from the background, diversity, qualities, competencies and experience of its members. Directors are elected by the shareholders at each annual meeting to serve for a term expiring on the date of the next annual meeting. Every year, the Committee reviews the credentials and performance of candidates proposed for election to the board and assesses their competencies and experience against those that the Committee considers the board, as a whole, should possess. In doing so, it considers the qualification of each candidate under applicable laws, regulations and rules and the competencies, diversity, geographies and areas of expertise already represented on the board.

The experience and areas of expertise of the nominees for election to the board are described in their biographies, starting on page 5 of the Proxy Circular. Based on its assessment of the existing experience and strengths of the board and the changing needs of the organization, the Committee determines the competencies and personal qualities it should seek in new board members to add value to the organization. As part of this analysis, the board maintains a matrix indicating the competencies and expertise contributed by each director toward the needs of the board.

The following table summarizes the major competencies the board has identified as important to the organization. The major competencies of the individual nominees for election to the board are listed in their biographies starting on page 5 of the Circular.

Major competencies
Senior level executive in a major company Broad business experience through senior level position in a major company
Financial services Work experience in the financial services industry
International business Understands the global marketplace through senior level position in an organization with multinational operations
Risk management Experience identifying principal corporate risks to ensure that management implements the appropriate systems to manage risk – may have been gained through experience as a top executive of a major public company or by serving as Chair or member of the Risk Committee of the board of RBC or another public company
Financial/accounting Based on the definitions of financial literacy/expert for members of the Audit Committee under securities laws
Human resources Experience overseeing HR practices, including compensation design, gained through experience as a top executive of a major public company or by serving as Chair or a member of the Human Resources Committee of the board of RBC or another major public company
Information technology/digital Relevant experience/knowledge of banking related technology and infrastructure; experience overseeing major IT integrations
Consumer Experience as a senior executive in a major products, services or distribution company
Real estate Experience in the real estate industry and the real estate market
Legal/regulatory Extensive understanding of relevant industry regulations and compliance standards; background in law
Public policy Experience in the workings of government, public policy and public relations

Evaluating candidates for the board

The Corporate Governance and Public Policy Committee considers all qualified candidates identified by members of the Board of Directors, by management and by shareholders and maintains an evergreen list of potential candidates for the board.

Nominees are selected for such qualities as integrity and ethics, business judgment, independence, business or professional expertise, international experience, and residency and familiarity with geographic regions relevant to our strategic priorities.

The Committee reviews each candidate's biographical information, assesses each candidate's integrity and suitability against criteria that have been developed by the Committee and considers the results of background checks and internal and external due diligence reviews.

This assessment involves exercise of the Committee's independent judgment. In this context, the Committee considers whether the candidate:

- has demonstrated, in personal and professional dealings, integrity, high ethical standards and commitment to the values expressed in our Code of Conduct;
- is likely to take an independent approach and to provide a balanced perspective;

- has specific skills, expertise or experience that would complement those already represented on the board;
- is financially literate and able to read financial statements and other indices for evaluating corporate performance;
- has a history of achievements that demonstrates the ability to perform at the highest level and that reflects high standards for himself or herself and for others;
- has a background that includes business, government, professional, non-profit or other experience that is indicative of sound judgment and the ability to provide thoughtful advice;
- recognizes the strengths of diversity;
- possesses knowledge and appreciation of public issues and exhibits familiarity with international, as well as national and local affairs; and
- has sufficient time and energy to devote to the performance of duties as a member of the Board of Directors, having regard to positions the candidate holds in other organizations and other business and personal commitments.

On this basis, the Committee makes recommendations to the board regarding potential director candidates.

Board diversity guideline

Aligned with RBC's core values, including "Diversity for growth and innovation", the board recognizes the benefits of promoting diversity, both within RBC and at the level of the Board of Directors. Diverse perspectives linked in common purpose contribute to innovation and growth for RBC. In assessing candidates and selecting nominees for the board, diversity is an important factor considered by the Corporate Governance and Public Policy Committee and as such the board has in place a diversity guideline that sets the objective that at least 25% of board members should be women. The nominees for election to the board at the 2014 Annual Meeting exceed this guideline as 4 of the 14 nominees (over 28%) are women.

External consultants

The Committee has sole authority to retain and approve the fees of any external consultants to conduct searches for appropriate candidates, or other external advisors that it determines to be necessary to carry out its duties.

Tenure policies

To balance the benefits of experience with the need for new perspectives, the board has in place tenure policies that seek to achieve ongoing renewal.

Directors will not be renominated for election at an annual meeting after reaching the earlier of age 70 or 15 years of service on the board. The 15-year term for directors who joined the board prior to May 27, 2011 is calculated starting on the date of the 2012 Annual Meeting. New directors will be permitted to serve for at least six years, regardless of age.

The board has in place a tenure limit for the Chair of the Board of eight years, with a review after five years of continuous service to plan for an orderly succession.

The tenure of the board committee Chairs is reviewed after five years to determine whether it is appropriate to extend tenure, having regard to the expertise required for leadership of the relevant committee.

A director is expected to submit his or her resignation to the Chair of the Board for determination by the board upon recommendation of the Corporate Governance and Public Policy Committee where:

- the credentials underlying the appointment of the director change;
- the director does not meet eligibility rules under the board's conflict of interest guidelines; or
- the director is no longer qualified under the *Bank Act* or other applicable laws.

Majority voting policy

Board policy requires that in an uncontested election of directors, any nominee who receives a greater number of votes "withheld" than votes "for" will tender a resignation to the Chair of the Board promptly following our annual meeting. The Corporate Governance and Public Policy Committee will consider the offer of resignation and, except

in special circumstances, will recommend that the board accept the resignation. The Board of Directors will make its decision and announce it in a press release within 90 days following the annual meeting, including the reasons for rejecting the resignation, if applicable.

Board size

The Board of Directors has carefully considered issues relating to its size. The optimal size for the board represents a balance between two opposing needs: a business need for strong geographical, professional and industry sector representation; and the need to be small enough to facilitate open and effective dialogue and decision-making. The board has determined, based on the recommendation of the Corporate Governance and Public Policy Committee, that this year 14 nominees are proposed for election as directors at the Annual Meeting on February 26, 2014.

Board compensation

More specific disclosure of board compensation is provided under the heading "Directors' compensation" starting on page 13 of this Circular.

Directors who are also officers of RBC receive no remuneration as directors. In 2006 shareholders set the maximum annual compensation that may be paid to non-executive members of the Board of Directors at \$4,000,000. The Corporate Governance and Public Policy Committee reviews the amount and the form of compensation of directors. In recommending the form of directors' compensation, the Committee seeks to align the interests of directors and shareholders. As part of their compensation program, directors receive at least \$100,000 (increasing to \$115,000 on March 1, 2014) of their board retainer in the form of RBC shares or Director Deferred Stock Units which must be retained until retirement from the board. In addition, directors are required to own shares or Director Deferred Stock Units with a minimum value of \$500,000 (increasing to \$600,000 on March 1, 2014).

Executive compensation

More detailed disclosure of executive compensation and the process by which the board determines compensation for senior officers is described starting on page 22 of this Circular.

The board is responsible for decision-making and oversight with respect to the compensation principles, policies and programs of RBC, including the management of compensation risk. The Human Resources Committee, which is comprised solely of independent directors, acts as the compensation committee of the board and assists the board in carrying out its responsibilities with respect to executive compensation matters. This Committee advises the board on

compensation and human resources principles, as well as related policies, programs and plans designed to achieve the strategic goals and financial objectives of RBC within acceptable risk tolerances.

The Committee annually approves performance objectives for the CEO that set out financial, risk, strategic and operational priorities, against which performance is assessed. The CEO's compensation is approved by the board's independent directors on the recommendation of the Human Resources Committee, in light of actual performance against approved objectives.

The Human Resources Committee also makes recommendations to the board with respect to the compensation of other senior management. The Committee has sole authority to retain and approve the fees of any independent compensation consultant to assist in determining compensation. Disclosure relating to the compensation consultant retained by the Committee to assist in determining compensation for our officers is provided under the heading "Independent advice" starting on page 27 of the Proxy Circular.

Shareholders have the right to approve all equity compensation plans of RBC that involve newly issued securities, as well as material amendments to those plans.

Shareholder advisory vote on approach to executive compensation

Our shareholders participate annually in an advisory vote on our approach to executive compensation.

The board believes shareholders should have the opportunity to review and fully understand the objectives, philosophy and principles that the board has used to make compensation decisions. In 2009 the board adopted a policy to hold at each annual meeting a non-binding advisory vote on the approach to executive compensation disclosed in the management proxy circular. This shareholder advisory vote forms an important part of the ongoing process of engagement between shareholders and the board on compensation.

As this is an advisory vote, the results are not binding upon the board. However, in considering its approach to compensation, the board will take into account the results of the vote, together with feedback received from investors in the course of other engagement activities.

Committees of the Board of Directors

To assist it in exercising its responsibilities, the board has established four committees: the Audit Committee, the Risk Committee, the Corporate Governance and Public Policy Committee and the Human Resources Committee.

Each committee is comprised entirely of independent directors and is chaired by an independent director who is responsible for the effective operation of the committee and the fulfilment of the committee's charter. Effective January 1, 2014, the board appointed Kathleen P. Taylor as Chair of the Corporate Governance and Public Policy Committee and David F. Denison as Chair of the Human Resources

Committee. There were no other changes to committee leadership for 2014. To facilitate open and candid discussion among committee members, the Chair of each committee regularly leads *in camera* sessions without management present at the end of committee meetings.

Committee membership is recommended annually by the Corporate Governance and Public Policy Committee and in the normal course directors will serve for a minimum of three years. Each committee, through its Chair, reports to the board following each meeting with respect to its activities and with such recommendations as are deemed appropriate in the circumstances.

Committees may engage external advisors at the expense of RBC. Each committee regularly reviews and assesses the adequacy of its charter to ensure it reflects regulatory requirements and best practices and recommends changes for approval by the board. Board committee charters are posted on our website at rbc.com/governance.

Each committee has prepared a report of its activities over the past year. These reports, as well as details about the composition and responsibilities of each committee, are included in the Proxy Circular under the heading "Committee reports" starting on page 15.

Assessments

The board and each board committee annually complete an evaluation of their effectiveness and directors regularly participate in a peer review process.

The processes for assessment of the board and board committees and for director peer reviews are managed by the board's independent Corporate Governance and Public Policy Committee. The Committee retains an independent consultant to design, analyze and report on the results of the evaluations of board and committee effectiveness and the director peer review process.

Assessment of the board

The directors conduct an annual evaluation of the performance and effectiveness of the board in light of its charter. In this process, directors provide their views on whether the board is functioning effectively, as well as matters as specific as key strategic, operational and risk issues and the effectiveness of the director education program. The results of the evaluation are analyzed by the consultant and reviewed by members of the Corporate Governance and Public Policy 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 develops priorities for the year to address any areas for improvement that have been identified. The Committee monitors the implementation of action plans addressing the approved priorities and periodically updates the board on progress. Senior management is advised of any suggestions made by directors for improvement of processes to support the work of the board.

Assessment of individual board members

Directors participate in a regular written peer review to assess individual directors on the attributes that contribute

to an effective board, including, among others, meeting preparation, strategic thinking, leadership experience, integrity and overall contribution. This consists of both an evaluation of peers and a self-evaluation. The written peer evaluation process is complemented with one-on-one meetings between the Chair of the Board and each director. Input from the peer evaluation process is also taken into account when considering the director nominees to be recommended to shareholders.

Assessment of board committees

Each board committee annually evaluates its effectiveness in carrying out the duties specified in its charter. The results are analyzed by the independent consultant and reviewed by the members of each committee who consider whether any changes to its structure or charter are appropriate.

Controls and certifications

RBC has disclosure controls and procedures designed to ensure that material information relating to RBC is communicated to our senior executives, including the CEO and the Chief Administrative Officer and Chief Financial Officer (CFO), and to the Bank's Disclosure Committee.

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

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

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

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

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

Subsidiary governance

The board plays a key role in overseeing the governance of RBC subsidiaries.

To ensure that appropriate levels of governance are maintained in our subsidiaries, RBC has established an enterprise approach to legal entity governance. This approach provides a degree of central oversight and is responsive to evolving legal and regulatory requirements, regulatory expectations and best practices, as well as business and taxation needs. Responsibility for legal entity management is embedded in management accountabilities enterprise-wide, with primary responsibility anchored with the Group Operating Committee, comprised of senior management. The control functions and businesses have shared responsibility for legal entity governance, which consists of the co-ordinated efforts undertaken by each function and business unit to achieve sound governance. Active and engaged subsidiary boards play a key role in oversight of legal entities.

The Subsidiary Governance Office (SGO) leads and co-ordinates these efforts to achieve sound governance, promoting consistency, simplicity and transparency in our subsidiary organizational structure and establishing policies on subsidiary board composition and functioning as well as the creation, reorganization and termination of our subsidiaries.

Additional governance disclosure

The following information is available on our governance website at rbc.com/governance:

- our Corporate Governance Framework;
- our Code of Conduct;
- the charters of the Board of Directors and of its committees;
- the Director Independence Policy;
- position descriptions for the Chair of the Board, the chairs of committees of the board and the CEO;
- a summary of significant differences between the NYSE Rules and our governance practices;
- our Corporate Responsibility Report and Public Accountability Statement; and
- this Statement of Corporate Governance Practices.

Printed versions of any of these documents can also be obtained free of charge from the Secretary, Royal Bank of Canada, 200 Bay Street, South Tower, Toronto, Ontario, Canada M5J 2J5.