



CORPORATE GOVERNANCE

FRAMEWORK

March 2018



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1. INTRODUCTION

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

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.

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

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

2. CORPORATE GOVERNANCE PRINCIPLES

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

Principle	Description
Ethical Culture	<p>Trust, integrity and good governance are hallmarks of the Board's governance approach. By setting the tone from above, the Board champions the values of trust, integrity and good governance that are well entrenched in the culture of RBC, and reinforces the ethical principles on which RBC's reputation and success are founded.</p> <p>To maximize shareholder value on a sustainable basis, these values must extend into every segment of RBC operations and business activities.</p>
Stewardship	<p>The members of the Board are the stewards of RBC, exercising independent judgment in overseeing management and safeguarding the interests of shareholders.</p> <p>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.</p>

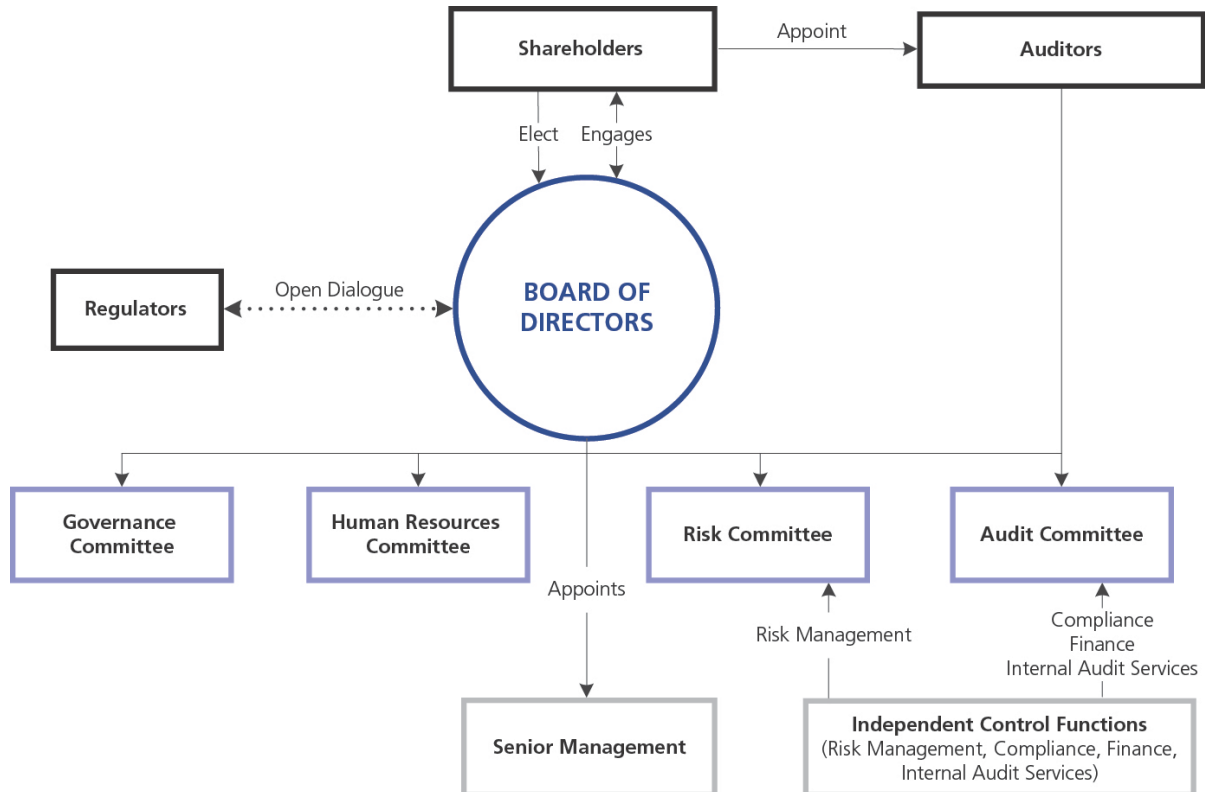
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Principle	Description
Strategic Oversight	<p>The members of the Board are the key advisors to management, advising on strategic direction, objectives and action plans, taking into account both the opportunities and RBC's risk appetite.</p> <p>In carrying out this oversight role, the Board actively engages in setting the 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 RBC's performance in executing strategies and meeting objectives.</p>
Risk Oversight	<p>The Board oversees the frameworks, policies and systems to identify and manage risks to the businesses and seeks to embed a strong risk management culture throughout RBC.</p> <p>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.</p>
Independence	<p>Independence from management is fundamental to the Board's effective oversight and mechanisms are in place to ensure its independence.</p> <p>All direct and indirect material relationships with RBC are considered in determining whether a member of the Board is independent.</p>
Accountability	<p>Transparency is a key component of good governance. The Board is committed to clear and comprehensive financial reporting and disclosure, and constructive shareholder engagement.</p> <p>The Board has carefully defined the expectations and scope of duties of the Board, its committees and management.</p>
Continuous Improvement	<p>The Board is committed to continuous improvement of its 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.</p> <p>To ensure policies and practices meet or exceed evolving best practices and regulatory expectations, RBC's corporate governance system is subject to ongoing review by the Governance Committee of the Board.</p>

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3. GOVERNANCE STRUCTURE

The fundamental relationships among the Board, its committees, management, shareholders and other stakeholders are established by RBC's governance structure, illustrated below, through which its ethical values and strategic and corporate objectives are set, and plans for achieving those objectives and monitoring performance are determined.



4. THE BOARD'S ROLE

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

The Board's role consists of two fundamental elements: decision-making and oversight. The decision-making function is exercised through the formulation with management of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies. The Board makes major policy decisions, participates in strategic planning, delegates to management authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.

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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 reserves for itself the authority to make certain decisions and delegates others to management. Any responsibilities not delegated to management remain with the Board and its committees. In some matters, management's discretion is limited by dollar thresholds beyond which approval by the Board is required. For example, such thresholds exist for investments and divestitures, decisions relating to mergers and acquisitions, intra-group transactions, operating expenditures, capital and funding and project initiatives.

The Board's functions are fully described in its charter, which is approved by the Board. The specific responsibilities of the Board are described in the RBC Annual Report and Management Proxy Circular and include the following matters:

- fostering a culture of integrity and good governance;
- strategic planning;
- identifying risks and overseeing risk management;
- overseeing financial reporting, internal controls, communications and public disclosure;
- succession planning and evaluating performance and approving compensation of senior management; and
- establishing corporate governance structures, principles and practices that contribute to effective oversight of RBC and its subsidiaries.

5. COMMITTEES OF THE BOARD

To assist in exercising its responsibilities, the Board has established four committees: the Audit Committee, the Risk Committee, the Governance Committee and the Human Resources Committee.

Committee composition is recommended annually by the Governance Committee and in the normal course directors will serve for a minimum of three years. Following each meeting, the committee Chair reports to the Board on the committee's activities, and makes such recommendations as are deemed appropriate in the circumstances.

Each committee has a written mandate that sets out its responsibilities and qualifications for committee membership under applicable laws and regulations. The Governance Committee reviews the committee mandates at least annually to ensure appropriate allocation of responsibilities. The committees regularly review and assess the adequacy of their own mandates to ensure that regulatory requirements and best practices are reflected, and recommend changes for approval by the Board.

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

Each committee prepares a report on an annual basis of its activities over the previous year. These reports, as well as details about the composition and responsibilities of each committee, are included annually in the Management Proxy Circular.

Committee Chairs

Each committee is comprised entirely of independent directors and is chaired by an independent director who is responsible for the effective operation of the committee and the fulfillment of the committee's mandate. The Board has approved a written position description for the Chairs of the Board's committees. To facilitate open and candid discussion among committee members, the Chair of each committee regularly leads *in-camera* sessions without management present.

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Tenure of committee Chairs is three years of continuous service, subject to annual re-appointment by the Board. Where appropriate, the Governance Committee may recommend that the Board extend tenure beyond three years for a further period of up to two years, having regard to the expertise required for leadership of the relevant committee.

Audit Committee

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

- (i) the integrity of the Bank's financial statements;
- (ii) the external auditors' qualifications, independence and performance;
- (iii) the effectiveness and independence of the Bank's Internal Audit Services, Finance and Compliance functions;
- (iv) the adequacy and effectiveness of internal controls; and
- (v) the Bank's compliance with legal and regulatory requirements.

Each member of the Audit Committee must be independent and "financially literate" within the meaning of the rules of the CSA relating to audit committees and the corporate governance listing standards of the NYSE. In accordance with applicable regulatory requirements at least one member must have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. Members of the Audit Committee may serve on the audit committees of no more than three public companies, including RBC.

Risk Committee

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

The Risk Committee annually reviews and approves RBC's comprehensive Enterprise Risk Management Framework, which provides a consolidated overview of the Bank's program for identifying, measuring, controlling and reporting on the significant risks that face the organization. The Risk Committee also assists the Board in its oversight of the effectiveness and independence of RBC's risk management function.

Governance Committee

The Governance Committee is the nominating committee responsible for recommending to the Board individuals qualified to become directors. The Governance Committee oversees the Board's effectiveness evaluation process. The Governance Committee is responsible for advising the Board in applying governance principles, monitoring developments in corporate governance and adapting best practices to the needs and circumstances of RBC. The Governance Committee also advises the Board on relationships with governments, and has oversight of RBC's approach to corporate citizenship.

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The Governance Committee fulfills the role of a conduct review committee for RBC and ensures that management has established practices and procedures relating to self-dealing, insider trading and personal loans, as required by law. It monitors procedures to resolve conflicts of interest, reviews and approves the RBC Code of Conduct and obtains assurances that RBC has processes in place to ensure adherence to the Code.

Human Resources Committee

The Human Resources Committee acts as the compensation committee of the Board. This committee is responsible for advising the Board on succession planning, compensation and human resources policies and practices, as well as compensation risk management. This committee provides its recommendation to the Board for compensation of the President and Chief Executive Officer (CEO) in light of the evaluation of his performance against approved goals and objectives relevant to his compensation. The Human Resources Committee annually reviews executive talent development strategies, succession plans for key senior leadership roles and readiness of the Bank's executive talent to deliver strategic goals of RBC. In addition, the Human Resources Committee makes recommendations to the Board on the compensation of senior management and on matters concerning the Bank's pension plans.

The Human Resources Committee meets privately with an external compensation consultant, without management present, at each of its meetings where executive compensation is discussed.

External advisors

Committees may engage external advisors at the expense of RBC. The committees have sole authority to retain, and approve the fees of, any external consultants or other external advisors that they determine to be necessary to carry out their duties.

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

- other services provided to RBC by the advisor's firm;
- the amount of fees received from RBC by the advisor's firm as a percentage of that firm's total revenues;
- policies and procedures of the advisor's firm that are designed to prevent conflicts of interest;
- the extent of relationships of the advisor or the advisor's firm with members of the Human Resources Committee or with executive officers of the Bank; and
- any RBC securities owned by the advisor.

6. MANAGEMENT'S ROLE

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

Group Executive

Subject to the provisions of the *Bank Act*, the Board may appoint such officers and specify such duties and delegate such powers to them as the Board may determine. The Board has established the Group Executive comprised of the CEO, the Group Heads, the Chief Financial Officer (CFO), the Group Chief Risk Officer (GCRO), the Chief Human Resources Officer, the Chief Administrative Officer and the Head, Strategy and Corporate Development. Each Group Executive member leads a senior operating committee.

The Board delegates to senior management the authority and responsibility for day-to-day affairs and reviews senior management's performance and effectiveness. Senior management is accountable for implementing the Board's decisions, and is responsible for directing and overseeing the operations of the

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Bank. The CEO and Group Executive member have written mandates describing their roles, responsibilities and required capabilities of their positions.

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

Oversight functions

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

The Board, through the Audit Committee and the Risk Committee, are responsible for overseeing effectiveness of the oversight functions and the heads of these functions. The mandate of the Audit Committee sets out specific responsibilities for overseeing Finance, Compliance and Internal Audit Services and the mandate for the Risk Committee similarly sets out responsibilities for overseeing the Group Risk Management.

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

The heads of the Finance, Compliance and Group Risk Management oversight functions have direct and regular access to the relevant Board committee through the Chair of the relevant committee. In addition, the Audit Committee holds separate private meetings with each of the CAE, the CFO, the Chief Compliance Officer (CCO), the Chief Anti-Money Laundering Officer (CAMLO) and the General Counsel on a quarterly basis with no other members of management present. The Risk Committee meets privately with the GCRO at every regularly scheduled meeting, with no other members of management present.

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

Third party reviews of the oversight functions are conducted every five years on a rotating basis, or as otherwise determined by the Board.

Reporting and escalation of significant issues to the Audit Committee and Risk Committee

Regular reports are provided to the Audit Committee and the Risk Committee, as appropriate, on significant matters, by the General Counsel, the CAMLO, the CCO, the CAE, the CFO and the GCRO.

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

Disclosure controls and certifications

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

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

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

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

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

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

7. BOARD COMPOSITION

Board size

The composition of the Board is governed primarily by the *Bank Act*, which sets out requirements relating to the qualifications, number, affiliation and Canadian residency of directors. The optimal size for the Board represents a balance between two opposing needs: a business need for diversity of experiences, perspectives and backgrounds that align with the Bank's near and long-term strategic objectives and reflect its diverse client and stakeholder base; and the need to be small enough to facilitate open and effective dialogue and thorough and responsive decision-making. Under RBC's By-laws, the Board may fix the number of directors between the range of 7 (the minimum number of directors required by the *Bank Act*) and 26. Each year, the Governance Committee reviews the optimal size of the Board and makes recommendations to the Board on its size, taking into consideration legal requirements, succession planning and scheduled director retirements, best practices, skills required to complement the Board's skill set and the optimal number of directors needed to discharge the duties of the Board and its committees.

Independence of the Board

As a Canadian financial services company listed on the TSX and NYSE, RBC is subject to various guidelines, requirements and disclosure rules governing independence of the Board and its committees, including additional independence criteria for members of the Audit Committee and the Human Resources Committee. A substantial majority of RBC directors are independent.

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

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

The Director Independence Policy incorporates criteria from the “affiliated persons” regulations under the *Bank Act* and the definition of “independence” in the CSA Guidelines. 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, be reasonably expected to interfere with the exercise of independent judgment.

Interlocking directorships

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

Evaluating candidates for the Board

The Board derives its strength from the background, diversity, qualities, skills and experience of its members. Diversity is a key priority and is embedded in all Board recruitment considerations. Independent nominees are selected for such qualities as integrity and ethics, business judgment, business or professional expertise, international experience and residency and familiarity with geographic regions relevant to RBC’s strategic objectives.

The Governance Committee has oversight responsibility for Board renewal. In consultation with the Board Chair, the Governance Committee considers all qualified candidates identified by members of the Board, management and shareholders. The Governance Committee monitors the current and future profile of the Board.

The Governance Committee developed and maintains a Board competency matrix that provides a focus on the talent the Board will need going forward. The matrix identifies the range of expertise, experience and perspective that RBC seeks in order to facilitate strong and effective oversight of RBC in the pursuit of its corporate and strategic objectives. Our matrix was developed with the assistance of an independent third-party consultant, which helped to identify the skills and experiences needed on the Board to support the future strategic objectives of RBC. The matrix considers the Bank’s long-term strategy, input from management and directors, the Board’s current skills and competencies. This matrix also assists the Governance Committee and the Board to align the talent and expertise needed against the backdrop of a dynamic marketplace and evolving regulatory landscape.

The Governance Committee also considers the results of the Board and director effectiveness evaluations in its assessment of the skills and competencies needed by the Board to support RBC’s strategic objectives. It uses this analysis to determine the qualities it needs in nominees for election and nominees for re-election.

The Governance Committee identifies director candidates through search firms and recommendations from directors, management, shareholders and individuals and other stakeholders. Any shareholder who wishes to recommend a candidate to be considered by the Governance Committee may submit the candidate’s name and biographical information, including qualifications and experience to the Board Chair using the contact information provided in the Management Proxy Circular. In accordance with the *Bank Act*, qualifying shareholders may submit a formal proposal for individuals to be nominated as directors. The Board has adopted a Proxy Access Policy that provides an additional mechanism by which qualifying shareholders may submit director nominations. This policy can be found at rbc.com/governance. In addition, individuals or other stakeholders may submit candidates to the Board Chair using the contact information at rbc.com/governance or the following contact information:

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

The Governance Committee reviews each candidate's biographical information and assesses each candidate's integrity and suitability against criteria that have been developed by the Governance Committee in accordance with OSFI Guideline E-17 and RBC's Assessment of Responsible Persons Policy. It conducts and considers the results of background checks and internal and external due diligence reviews.

In making recommendations to the Board regarding potential director candidates, the Governance Committee considers whether the candidate:

- has demonstrated, in personal and professional dealings, integrity, high ethical standards and commitment to the values expressed in RBC's 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;
- 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, having regard to positions the candidate holds in other organizations and other business and personal commitments.

Board diversity

Aligned with RBC's core values, including "Diversity & Inclusion", the Board recognizes the benefits of promoting diversity, both within RBC and at the level of the Board of Directors. In this regard, the Board has adopted a written diversity policy that sets the objective that each gender comprise at least 30% of directors. The Governance Committee focuses on diversity, including gender and non-gender diversity, in assessing candidates and selecting nominees for the Board.

Majority Voting Policy

The Board has a written Majority Voting Policy which reflects the requirements of the TSX and provides that any nominated director in an uncontested Board election must immediately tender his or her resignation if not elected by at least a majority (50% plus 1 vote) of the votes cast in his or her election. The Board will determine whether to accept the resignation within 90 days. Absent exceptional circumstances, the Board will accept the resignation. A resignation will be effective when accepted by the Board.

A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board or committee at which the resignation is considered. RBC will promptly issue a news release with the Board's decision. If the Board determines not to accept the resignation, the news release will fully state the reasons for that decision.

Director tenure

To balance the benefits of experience with the need for new perspectives and achieve ongoing renewal, the Board has a tenure policy that incorporates term limits. Term limits do not take precedence over our annual director effectiveness evaluation. Directors will not be re-nominated for election at an annual

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meeting after reaching the earlier of (i) age 70 or (ii) 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. In exceptional circumstances if it is in the best interests of RBC, the Board has the discretion to recommend a director for re-election for additional terms of up to five years after age 70 or the expiration of the 15-year term. This decision is subject to annual review by the Board and re-election by the shareholders.

In addition, 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 Governance Committee where the:

- qualifications, independence or other credentials of the director change;
 - director no longer meets eligibility rules under the Board's conflict of interest guidelines; or
 - director is no longer qualified under the *Bank Act* or other applicable laws.
-

8. BOARD OPERATIONS

Non-executive Board Chair

The Board Chair is an independent director who is responsible for the management, development and effective functioning of the Board and provides leadership in every aspect of its work. The Board Chair does not serve as a member of any Board committee but attends and participates at committee meetings. The Board Chair has unrestricted access to management, as well as the authority to engage, at the expense of RBC, independent advisors, including legal counsel, and to approve the fees and terms of their engagement. Tenure of the Board Chair is eight years, with a review after five years to plan for orderly succession, subject to annual re-appointment by the Board.

The Board Chair works closely with the Governance Committee on such key matters as:

- evaluation procedures for and assessments of the Board, its committees, committee Chairs and individual Board members;
- Board succession planning and recruitment of directors; and
- succession planning for committee Chairs and for the Board Chair.

The Board reviews and approves any changes to the written position description for the non-executive Board Chair. The Governance Committee, under the direction of the Governance Committee Chair, annually assesses the effectiveness of the Board Chair in fulfilling the requirements of the position description.

Conflicts of interest

Where the personal or business interests of directors and executive officers may conflict with those of RBC, they are required to disclose the nature and extent of a conflict of interest at the earliest possible date. Such disclosure must be made in writing or by requesting to have it entered in the minutes of the meeting. In the event of a conflict of interest, the director or executive officer will leave the relevant portion of the meeting and the director will not vote or participate in the decision.

Meeting attendance

Board members are expected to attend the Board meetings and meetings of committees on which they serve, as well as each annual meeting of common shareholders. Minimum attendance of 75% of Board and committee meetings overall is required, except where the Governance Committee determines that factors beyond a director's control prevented a director from this attendance requirement. Overall attendance includes both regularly scheduled and special meetings of the Board and its committees. Special meetings are scheduled as needed, often on short notice, and largely relate to ordinary course matters that arise between regularly scheduled meetings.

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Director orientation and continuing education

[Note: This section consolidates the “Board information needs and director continuing education” and “Director orientation” sections that appeared in last year’s Corporate Governance Framework, and reflects a similar consolidation of sections in the 2018 Proxy Circular.]

To enhance the Board’s effectiveness, RBC seeks to have new directors become fully engaged as quickly as possible. The Governance Committee oversees director orientation and continuing education to transition directors seamlessly and equip them with the right tools to succeed and make a valuable contribution to the Board and RBC, as well as to keep their knowledge and understanding of RBC’s businesses current. The Governance Committee’s approach to director orientation and continuing education is organized around the following three focus areas to facilitate an agile, adaptive Board:

<p>Orientation and Onboarding</p>	<p>The Board maintains an in-depth Orientation Guide covering our governance principles and policies including RBC’s Code of Conduct and Director Independence Policy. The Orientation Guide outlines the following orientation and onboarding procedures for new directors:</p> <ul style="list-style-type: none"> • Strategic and business deep-dives with Group Executives and senior leaders. • Onboarding sessions with key governance, legal and function executives to advise on director obligations and RBC’s internal controls practices. • Attendance at committee meetings even if not a member. • Committee Chair orientation with executive sponsors and the Secretary prepares directors for their role as Chairs.
<p>Integration</p>	<p>New directors are integrated through mentorship program matching new directors with experienced members, one-on-one meetings with Board and Committee Chairs to enhance understanding of board culture and dynamics and ongoing engagement with senior management to deepen knowledge of strategic objectives and foster open dialogue and constructive relationships.</p>
<p>Personal Development</p>	<p>To assist Board members in understanding their responsibilities and liabilities, as well as keeping their knowledge and understanding of RBC’s businesses current, RBC provides directors with an ongoing education program, which includes:</p> <ul style="list-style-type: none"> • presentations by senior executives on the business and regulatory environment, including on specialized and complex aspects of our operations; • the “RBC Speaker Series”, a program of presentations by external guest speakers that provides directors with updates on key topics including the political and economic landscape, emerging industry and regulatory trends and the dynamic marketplace; • areas of shared concern or oversight covered in joint education sessions across committees; and • an online resource library giving access to information on relevant topics, including educational opportunities outside of RBC. <p>Each director also receive tailored programming that is designed to enhance such director’s particular needs based on background and experience and reflects personal focus areas, as well as memberships in the Institute of Corporate Directors (Canada) and National Association of Corporate Directors (U.S.).</p>

Directors may attend all committee education sessions even if they are not a member of that committee. Directors also receive educational materials and updates between Board meetings on matters that affect our businesses. Periodically, the Board also participates in tours of our operations to familiarize directors with our businesses.

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Assessments of effectiveness

The processes for assessment of the Board and its committees and for director peer reviews are managed by the Governance Committee. The Governance Committee retains an external consultant to design and administer the evaluations, and to analyze 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 orientation and education program. The results of the evaluation are analyzed by the consultant and reviewed by members of the Governance Committee and the full Board, who consider whether any changes to the Board's processes, 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 Governance Committee monitors implementation of any action plans designed to address the approved priorities and periodically updates the Board on progress. Senior management is advised of any suggestions made by directors for improvement of processes to support the work of the Board.

Assessment of Board committees and Committee Chairs

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

Assessment of individual Board members

Directors participate in an annual written peer review to assess individual directors on the key characteristics and behaviours that the Board considers essential for any director to successfully discharge his or her oversight responsibilities. This consists of both an evaluation of peers and a self-evaluation. The written peer evaluation process is complemented with one-on-one meetings between the Board Chair and each director that occur throughout the year. Input from the peer evaluation process is taken into account when considering the director nominees to be recommended to shareholders.

Board compensation

The Governance Committee conducts a periodic review of the amount and the form of compensation of non-executive directors, with a view to aligning the interests of directors and shareholders and providing market competitive compensation. Directors who are also officers of RBC receive no remuneration as directors. The maximum annual compensation that may be paid to members of the Board is determined by the shareholders who have set it at \$6,000,000. As part of the Board compensation program, directors receive a portion of their annual Board retainer in the form of Common Shares or Director Deferred Stock Units which must be retained until retirement from the Board. In addition, directors are required to own Common Shares or Director Deferred Stock Units with a minimum value of \$750,000, or three times the Board retainer. As part of this requirement, directors will be required to own a minimum of 1,000 Common Shares.

Non-executive directors are compensated as follows:

Annual retainers	(\$)
Director	250,000
Board Chair	275,000
Committee Chair	50,000

CORPORATE GOVERNANCE FRAMEWORK

Shareholder engagement and communications

The Board 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 these practices include methods of hearing from shareholders and responding to their inquiries on an ongoing basis, as well as meetings with investors and organizations representing a significant number of shareholders. The Board continues to proactively consider and adapt, as suitable to the circumstances of RBC, emerging practices of Board engagement with shareholders.

Procedures are in place to provide timely information to current and potential investors. The Board reviews and approves the contents of major disclosure documents, including the Annual Report, quarterly reports to shareholders, the Annual Information Form, Management's Discussion and Analysis, and the Management Proxy Circular. The Bank's disclosure policy is approved by the Audit Committee. It addresses how RBC interacts with analysts, investors and the public and contains measures to avoid selective disclosure.

Interaction with regulators

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

Code of Conduct

The Board has established RBC's Code of Conduct which seeks to ensure that a culture of integrity is maintained throughout the organization. The Code promotes standards of ethical behaviour that apply to directors, senior management and all employees. The Code sets out fundamental principles that guide the Board in its deliberations and reflect the Bank's global businesses, and new and emerging risk areas.

The Code 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. Directors, officers and employees also have an ongoing responsibility to identify potential and perceived conflicts of interest in relation to RBC, its clients and its suppliers. Reporting on the Code which addresses, among other things, any significant breaches of the Code, is provided to the Governance Committee on a semi-annual basis.

Based on the spirit and intent of the Code 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. Supplementing the Code are a global compliance program and enterprise-wide policies establishing minimum standards for anti-money laundering, terrorist financing and economic sanctions and client due diligence activities.

9. APPROVAL, RESPONSIBILITY AND REVIEW SCHEDULE

This Framework is comprised of policies, practices and disclosure that have been approved by the Governance Committee and is the responsibility of the Corporate Secretary's Department.

This document will be reviewed every two years or more frequently in the event that substantive changes are appropriate.