



# Corporate Governance Framework

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1. Our approach to governance

This framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Directors (the board) 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).

We are committed to high standards of governance that are consistent with regulatory expectations and evolving best practices and that are aligned with our strategy and risk appetite. We believe that good governance is not just about overseeing RBC and its practices, but doing so in a way that's transparent, independent of management and ethical. It involves the board actively engaging with all stakeholders, knowing the business and its risks, challenging management where necessary, understanding the challenges and opportunities of a changing industry and economy, setting robust standards and principles that will guide RBC to success and helping clients thrive and communities prosper – all to ensure we're constantly enhancing value for our shareholders. This is what your board aims at every day.

To serve the interests of shareholders and other stakeholders, RBC's corporate governance system is subject to ongoing review, assessment and improvement. The board 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 of the CSA, the TSX, the NYSE and the SEC.

RBC's practices are consistent with *Bank Act* requirements, the OSFI Corporate Governance Guideline, 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. The core principles that drive our approach

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

Principle	Description
Conduct and Culture	By setting the tone from above, the board champions the values of trust, integrity and good governance.  These values are well entrenched in the culture of RBC and reinforce 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 RBC operations and business activities.

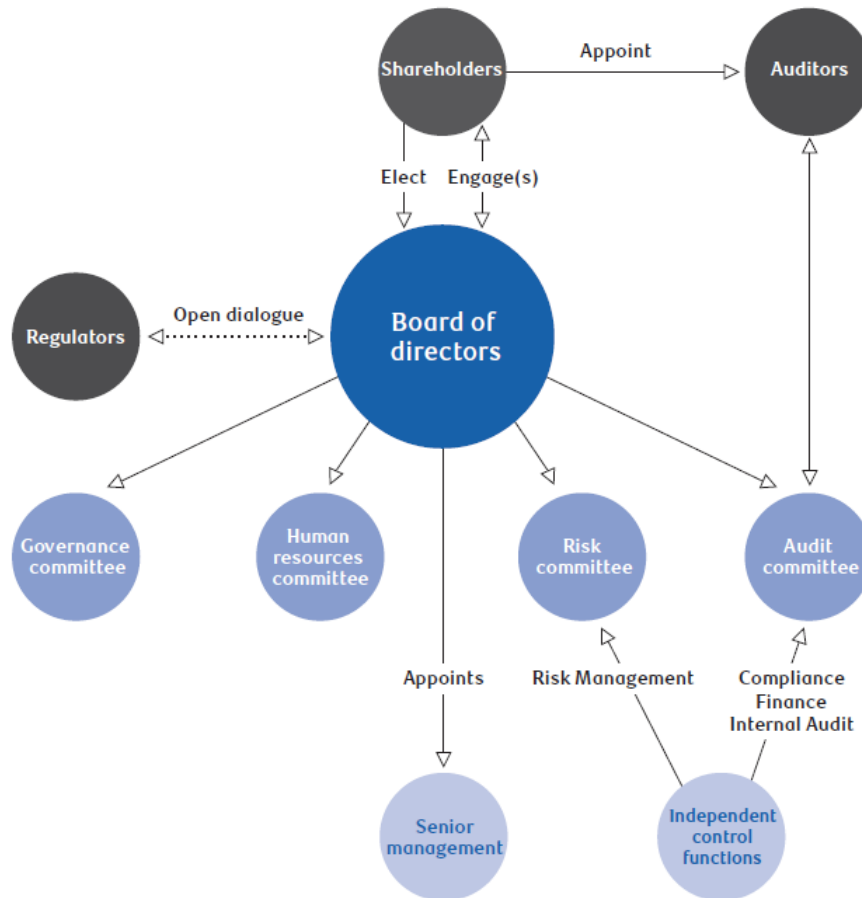


<b>Principle</b>	<b>Description</b>
<b>Stewardship</b>	<p>Directors are the stewards of RBC, exercising independent judgment in overseeing management and safeguarding the interests of shareholders.</p> <p>In fulfilling its stewardship role, the board seeks to instill and foster a corporate environment founded on integrity and to provide management with sound guidance in pursuit of long-term shareholder value.</p>
<b>Strategic Oversight</b>	<p>Directors are key advisors to management, advising on strategic direction, objectives and action plans, taking into account business 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>
<b>Risk Oversight</b>	<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>
<b>Independence</b>	<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>
<b>Accountability</b>	<p>Transparency is a hallmark 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>
<b>Continuous Improvement</b>	<p>The board is committed to continuously improving its corporate governance principles, policies and practices.</p> <p>RBC's approach to corporate governance is 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.</p>

### 3. Our governance structure

Our governance structure establishes the fundamental relationships among the board, its committees, management, shareholders and other stakeholders.

We set our ethical values and our strategic and corporate objectives, and we determine our plans for achieving and monitoring performance through this structure.



### 4. Role of the board

The board is responsible for the overall stewardship of RBC and fulfills this responsibility by overseeing management and aiming to enhance long-term shareholder value. 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.

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.

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### 5. Role of the board chair

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The board chair is an independent director who leads the board and shareholder meetings and is responsible for the management, development and effective functioning of the board. 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:

- advises the CEO on major issues and liaises between the board and senior management;
- participates in the orientation of new directors and the continuing development of current directors;



- with the governance committee, conducts the board's effectiveness evaluation and plans board succession and recruitment;
- interacts with directors and senior executives throughout the year;
- meets with regulators, shareholders and stakeholders on behalf of the board; and
- meets periodically with independent directors of our subsidiaries.

The board reviews and approves the board chair's mandate, while the governance committee, under the direction of its chair, annually assesses the effectiveness of the board chair in fulfilling her mandate.

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### 6. Committees of the board

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To assist in exercising its responsibilities, the board has established four committees:

- audit committee
- risk committee
- governance committee, and
- human resources committee.

The governance committee recommends committee membership and successors of the board chair and committee chairs. The governance committee also oversees board renewal and nominates directors for election or re-election. During their tenure as directors, they would normally serve on a committee for a minimum of three years, and most of them serve on every committee.

The committee chair reports to the board following each committee meeting, 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 board and committee mandates, which outline their areas of responsibility, and allocates responsibilities as required, taking into account regulatory guidance and industry best practices. These reviews ensure the board and its committees are adaptive and responsive to new requirements and continue to practice strong oversight.

Each committee annually assesses its effectiveness 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 each committee chair. To facilitate open and candid discussion among committee members, each committee chair regularly leads *in-camera* sessions without management present.

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:

- the integrity of the Bank's financial statements;
- the external auditors' qualifications, independence and performance;
- the effectiveness and independence of the Bank's Internal Audit Services, Finance and Compliance functions;
- the adequacy and effectiveness of internal controls; and
- 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.

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. It also 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.



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### 7. The role of management

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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 of 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 Bank. The CEO and group executive member have written mandates describing their respective 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 its chair. 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 and risk committees, 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.

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.

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### 8. Conduct and culture

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The board sets and expects the highest standards of conduct at RBC to build and maintain the trust of our clients, investors, colleagues and the community. The board, with management, sets the tone from above and promotes an open and transparent culture at RBC. We recognize that the board's responsibility to oversee conduct and culture is broad and demands that we adopt a continual improvement mindset towards our practices. To that end, our governance committee continues to enhance board and committee reporting on conduct and culture matters and proactively monitor emerging trends and best practices to help refine a holistic approach to overseeing these critical issues. We also encourage our employees to help shape our culture by speaking up and challenging behaviour that does not align with our values.

#### **Our Code of Conduct**

The RBC Code of Conduct (Code) promotes standards of desired behaviours that apply to directors, senior management and all employees including the responsibility to be truthful, respect others, comply with laws, regulations and our policies, and engage in sales practices that are fair and not misleading.

The board annually approves the Code and closely collaborates with management to set the tone from above and promote a strong governance culture that influences RBC at every level. The Code reflects our global businesses as well as new and emerging risk areas and sets out fundamental principles that guide the board in its deliberations.

Our Code fosters an open and transparent environment where employees can speak up and raise concerns without any form of retaliation. It creates a frame of reference for properly addressing sensitive and complex issues and provides for accountability if standards of conduct are not upheld.

We have an online learning program and annual employee testing and certification to demonstrate that employees are familiar with and understand the values and principles outlined in our Code. Directors must acknowledge each year that they have read and understand the Code, and certify that they are in compliance with it. We also have policies and procedures to address more specific aspects of fair business conduct, such as anti bribery, anti-corruption and insider trading policies.

The governance committee oversees the management of conduct and receives regular reporting on employee complaints and conduct and culture matters. It meets on a regular basis with the chief human resources officer, the chief risk officer, the chief compliance officer and general counsel to review progress on programs that strengthen enterprise conduct.

Waivers of the application of the Code are considered only in exceptional circumstances. In the case of executive officers and directors, these waivers must be reported to the governance committee or the board and must be publicly disclosed in accordance with the law.

A copy of our Code is available at [rbc.com/governance](http://rbc.com/governance) and has been filed with the securities regulators at [sedar.com](http://sedar.com).

#### **Reporting hotline**

Our stakeholders rely on the accuracy of our financial reporting. We have established mechanisms for directors, officers, employees and third parties to report, on a confidential and anonymous basis, any allegations of wrongdoing relating to accounting, auditing or internal accounting controls. Details on our



reporting hotline can be found at [rbc.com/governance](http://rbc.com/governance). Issues are investigated internally or by an independent external party, and any significant issues are raised with the audit committee chair.

### **Conflicts of interest**

In practice, conflicts of interest can arise as a result of professional and contractual arrangements, directorships and other business interests. Where the personal or business interests of directors and executive officers may conflict with those of RBC, they must disclose the nature and extent of the conflict of interest as soon as possible, 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 in question will leave the meeting when the issue is discussed, and in the case of a director, will not vote or participate in the decision.

### **Our commitment to diversity**

#### Board Diversity Policy

RBC has played a leadership role in promoting board diversity in corporate Canada. We were one of the first signatories of the 2012 Catalyst Accord, a call to action to increase the representation of women on boards in corporate Canada. RBC is also a founding member of the Canadian chapter of the 30% Club and already exceeds its objective of 30% women on boards by 2020.

To assist in meeting our diversity objectives and ensure there are no systemic barriers or biases in our policies and practices, the board has approved the Board Diversity Policy. The board currently has a diversity objective that each gender comprise at least 30% of directors.

Every year, the governance committee completes a self-assessment that measures, among other things, its effectiveness in guiding the board toward its diversity objectives. It also reviews the board's composition and any anticipated vacancies in light of our Board Diversity Policy and objectives. Gender and non-gender diversity, including diversity in age, geography, background and ethnicity, are important factors that the governance committee always considers.

#### Diversity of the executive team

Diversity is integrated throughout our approach to talent management. We consider all dimensions of diversity, including gender and non-gender representation, when we hire executives and senior managers. This includes the CEO and executive officers reporting to the CEO (the group executive). We do not establish specific diversity targets at the group executive level due to the small size of this group and the need to carefully consider a broad range of criteria.

The representation of diverse talent in executive and senior manager roles is an important measure of our progress toward building a diverse pipeline of talent. We focus on accelerating the development of diverse leaders to strengthen our succession bench through a number of different initiatives, including our Women in Leadership Program, our leadership program for culturally diverse talent, called Ignite, and our founding partnership with the Queen's University Smith School of Business on a new LGBTQ+ executive program.

We also consider diversity when identifying development opportunities for our high-potential employees, such as inclusion on executive staffing lists, directorships on subsidiary boards, targeted development plans and participation in formal development and mentoring programs. We believe staffing matters when it comes to making meaningful change and have set ambitious diversity staffing goals in addition to



representation goals. Our staffing goal for new executive appointments is 50% women, and we are proud to lead our Canadian peers in the representation of women and visible minorities in executive roles.\*

The RBC Diversity Leadership Council, chaired by the CEO and comprising senior executives from across all the businesses, promotes diversity and inclusion and develops strategies and action plans with measurable outcomes for all of RBC. We believe that in order to speak up for inclusion, we need to speak about inclusion and we are taking action to empower, enable and engage our colleagues, communities and clients to have meaningful conversations about diversity and inclusion through our new diversity portal at [rbc.com/diversity](http://rbc.com/diversity).

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## 9. Board composition

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### 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.

When determining its optimal size, the board balances two competing priorities:

- the business need for diversity of experiences, perspectives and backgrounds that align with the near- and long-term strategic objectives of RBC 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.

Regulatory requirements and succession planning also play key roles in the board's consideration of its size. 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

To be effective, the board must be independent of management. 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. Under the *Bank Act*, the CEO must be a member of the board. He is the only director who is not independent.

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

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\* As of December 31, 2017, according to employment equity data for businesses in Canada governed by the *Employment Equity Act* (Canada).



- 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. It has also set additional standards for members of our audit committee and our human resources committee. The Director Independence Policy is filed with securities regulators at [sedar.com](http://sedar.com) and is available at [rbc.com/governance](http://rbc.com/governance).

The board tests relationships between directors and RBC using materiality thresholds set out in our Director Independence Policy. The board also considers other facts and circumstances it deems relevant to determine whether any of these relationships could reasonably be expected to interfere with a director’s independent judgment. It considers the nature and extent of these relationships and their importance not only to directors and to RBC, but also to entities with which directors are affiliated.

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.

### **Board Interlock Policy**

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.

### **Finding the right director candidates**

The governance committee oversees board renewal and nominates directors for election to the board, keeping long-term strategic focus top of mind. RBC shareholders then elect the directors at each annual meeting to serve until the next annual meeting.

The board derives its strength from the diversity, qualities, competencies and experiences 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.

Every year, the governance committee works with the board chair to review the credentials of candidates proposed for election or re-election to the board and assess their competencies and experience against those that the board believes, as a whole, it should possess. As part of this analysis, the governance committee maintains a matrix indicating the major competencies and experience that each director contributes. This matrix assists the governance committee and the board in acquiring the right talent and expertise against the backdrop of the dynamic marketplace and evolving regulatory landscape.

The governance committee identifies director candidates through search firms and recommendations from directors, management, shareholders as well as individuals and other stakeholders:

- Any shareholder who wishes to recommend a candidate for consideration by the governance committee may submit the candidate’s name and biographical information, including qualifications and experience, to the board chair.
- 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](http://rbc.com/governance).



- In addition, individuals or other stakeholders may submit candidates to the board chair.

The board chair may be contacted using the contact information at [rbc.com/governance](http://rbc.com/governance) or the following contact information:

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

The governance committee and the board chair work together to consider all qualified individuals and maintain an evergreen list of potential candidates.

The board selects independent nominees possessing business and professional expertise, including relevant financial services industry and risk management expertise, senior-level involvement in major organizations, international experience, a history of achievement and performance at the highest level, and residency in and familiarity with geographic regions relevant to our strategic objectives. They are also expected to have experience in environmental, social and governance (ESG) matters and share a commitment to the RBC values of integrity and putting the client first, diversity and inclusion, accountability and collaboration.

In making recommendations to the board regarding potential director candidates, the governance committee also considers our director effectiveness framework which lays out the skills, commitment and conduct we expect from new and current directors.

### Dedication

- Prioritizes the needs of RBC
- Commits fully to the accountability and success of the board
- Seeks to continuously improve and raise the bar

### Engagement

- Engages fully and makes a meaningful contribution at all meetings
- Actively promotes collegiality
- Considers the input of others and provides thoughtful advice

### Integrity

- Works for the greater good of RBC
- Demonstrates high ethical standards
- Upholds RBC values

### Courage

- Appropriately challenges the status quo
- Can make tough decisions
- Champions change

### Strategic orientation

- Discusses pros and cons of future growth strategies
- Assesses global opportunities for alignment with RBC strategy

### Business acumen

- Focuses on the right performance outcomes
- Balances short-, medium- and long-term objectives
- Exhibits sound judgment and thoughtfully balances trade-offs







The governance committee considers the results of the board and director effectiveness evaluations in its assessment of the skills and competencies needed to support our strategic objectives. It uses this analysis to determine the qualities it needs in nominees for election and nominees for re-election.

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.

**Majority voting**

The board’s Majority Voting Policy states that any nominated director in an uncontested board election must immediately tender their resignation if they are not elected by at least a majority (50% plus 1 vote) of the votes cast in their election. The board will determine whether to accept the resignation within 90 days. Absent exceptional circumstances, the board will accept the resignation, making it effective immediately.

A director who tenders a resignation will not participate in any meeting where the board or a committee is considering their resignation. 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.

**Tenure policy**

We have a tenure policy that outlines term limits in order to:

- balance the benefits of experience with the need for new perspectives, and
- achieve ongoing board renewal.

<b>Directors</b>	<p>A director’s term lasts 15 years or until they reach the age of 70, whichever comes first.</p> <p>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 may serve for at least six years, regardless of their age.</p> <p>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.</p>
<b>Board chair</b>	The board chair’s term is eight years.
<b>Committee chairs</b>	A committee chair’s term is three years, which may be extended for up to two years, if appropriate, considering the expertise required to lead the relevant committee.

A director is expected to submit their resignation to the board chair if:

- their qualifications, independence or other credentials change
- they no longer meet the eligibility rules under the board’s conflict of interest guidelines, or
- they are no longer qualified under the *Bank Act* or other applicable laws.



The governance committee will make a recommendation to the board on whether it should accept the resignation. A director who tenders a resignation does not participate in the discussion or decision-making process.

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## 10. Board operations

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### Meeting attendance

Directors are required to attend a minimum of 75% of board and committee meetings as well as each annual meeting of common shareholders, except where the governance committee determines that factors beyond their control prevented them from achieving this 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 matters that arise between regularly scheduled meetings.

### Director orientation and continuing education

The board strives to ensure that new directors receive a thorough introduction to the role and all directors have access to the resources they need to focus on ongoing development. The governance committee is responsible for making the transition of new directors as seamless as possible and equipping them with the right tools to succeed so they can make valuable contributions to the board and RBC.

The governance committee has adopted a principles-based approach that includes three key pillars to facilitate an agile and adaptive board.

<b>Orientation and onboarding</b>	<ul style="list-style-type: none"> <li>• In-depth Orientation Guide covering our governance principles and policies including our Code of Conduct and Director Independence Policy</li> <li>• Strategic and business deep-dives with the group executives and senior management</li> <li>• Onboarding sessions with key governance, legal and function executives to advise directors on their obligations and the internal controls and practices in place at RBC</li> <li>• Attendance at committee meetings even if a director is not a member</li> <li>• Committee chair orientation with executive sponsors and the secretary to prepare them for their role</li> </ul>
<b>Integration</b>	<ul style="list-style-type: none"> <li>• Mentorship program matching new directors with experienced members</li> <li>• One-on-one meetings with the board chair and committee chairs to enhance their understanding of the board's culture and dynamics</li> <li>• Ongoing engagement with group executives and senior management to deepen knowledge of our strategic objectives and foster open dialogue and constructive relationships</li> </ul>



### Personal development

- Education sessions and materials:
  - presentations by senior executives on the business and regulatory environment, including specialized and complex aspects of our businesses and operations
  - RBC Speaker Series, a program of presentations by external guest speakers that provides directors with updates on key topics including business and market trends, institutional investor perspectives, consumer behaviours, digital disruption of financial institutions, the political and economic landscape, emerging industry and regulatory trends and the dynamic marketplace
  - areas of shared concern or oversight covered in joint educational sessions across committees
  - online resource library of information on relevant topics, including educational opportunities outside RBC
- Tailored programming:
  - programs to address the particular needs of each director based on their background, experience and personal focus areas
  - opportunities relevant to directors at large financial institutions (e.g. Global Risk Institute, Group of Thirty, Bank Governance Leadership Network)
- Membership at the Institute of Corporate Directors (Canada) and National Association of Corporate Directors (U.S.)

Directors have full access to committee education sessions regardless of committee membership. They also receive educational materials and updates between board meetings on matters relevant to our businesses.

Periodically, the board also participates in tours of our operations to further learn about our businesses. The board and its committees held meetings in New York City in 2018, which provided them with the opportunity to deepen their knowledge of our U.S. businesses through visits to local offices and presentations on business and political trends in the U.S. and internationally and to engage with employees, local leadership and independent directors of RBC US Group Holdings LLC, our U.S. intermediate holding company.

### Assessments of effectiveness

The board and its committees annually review their effectiveness as part of their commitment to continuously improve their oversight, guidance and constructive challenge of management. The annual evaluations of the board and each committee are supplemented with input from members of the group executive on areas such as board and committee processes, materials, interaction with management and overall effectiveness. We review our evaluation and effectiveness frameworks annually to align them with best practices and regulatory guidance.

Updates on priorities and action plans are provided to the board and committees by the committee chairs and board chair on a regular basis throughout the year. This approach creates an effectiveness



evaluation that is an ongoing, dynamic part of the functioning of the board and its committees. The evaluations also form part of the governance committee’s assessment of the skills and competencies director nominees need for election or re-election.

*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 and action plans 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.

**Director 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:

<b>Annual retainers</b>	<b>(\$)</b>
Director	250,000
Board chair	275,000
Committee chair	50,000



### **Engaging with shareholders and other stakeholders**

Continuous and open dialogue with shareholders and other stakeholders is a key priority for us. The board encourages all stakeholders to provide timely and meaningful feedback, facilitates constructive engagement and regularly reviews its engagement with shareholders and stakeholders for alignment with best practices.

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.

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## **11. Approval, responsibility and review schedule**

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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.