



Disclosure of differences between RBC's system of governance and that required of U.S. domestic issuers under Nasdaq corporate governance requirements

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (TSX), Royal Bank of Canada (RBC) has in place a system of corporate governance practices which is responsive to applicable Canadian requirements, including those of the *Bank Act* (Canada), the corporate governance guideline of the Office of the Superintendent of Financial Institutions (OSFI), National Policy 58-201 Corporate Governance Guidelines, National Instrument 58-101 Disclosure of Corporate Governance Practices, Multilateral Instrument 52-10 Audit Committees and rules of the TSX. RBC's corporate governance practices meet or exceed all applicable Canadian requirements.

In the context of the listing of certain of its securities on Nasdaq, RBC is classified as a foreign private issuer. RBC is therefore permitted to follow home country practice instead of certain governance requirements set out in the Nasdaq Listing Rules. However, RBC benchmarks its policies and procedures against governance standards internationally, with a view to adopting best practices when appropriate to its circumstances. Our governance system incorporates best practices which are substantially in line with Nasdaq requirements and is in compliance with applicable rules adopted by the U.S. Securities and Exchange Commission to give effect to provisions of the *Sarbanes-Oxley Act of 2002*.

RBC's corporate governance practices are generally very similar to those followed by U.S. domestic issuers under Nasdaq corporate governance requirements, except that:

- Nasdaq Listing Rule 5605(a)(2)(D): RBC's director independence standards require the Board to consider all direct and indirect relationships between RBC and a director, but do not presume a director not to be independent when the director (or a family member of the director) is a partner in or a controlling shareholder or an executive officer of an organization that has business relationships with RBC in excess of certain monetary thresholds.
- Nasdaq Listing Rule 5605(d)(1)(C): RBC's governance practice, which ensures that our Chief Executive Officer is not present during voting or deliberations on his or her compensation, is not set out in the charter of the Board's independent Human Resources Committee.
- Nasdaq Listing Rule 5620(c): RBC's by-laws provide that ten or more shareholders of the Bank present in person and entitled to vote constitute a quorum at a meeting of common shareholders of RBC.
- Nasdaq Rule 5630: The *Bank Act* (Canada) restricts RBC from entering into transactions with related parties, other than in certain limited instances. The Board's independent Governance Committee establishes measurement criteria for permitted transactions with related parties, submits these criteria to OSFI for approval, and reviews certain permitted transactions with related parties.
- Nasdaq Rule 5635: RBC follows the rules of the TSX which determine the circumstances under which shareholder approval is required prior to an issuance of securities.