

Charters of committees of Board of Directors of Royal Bank of Canada

Excerpted from ROYAL BANK OF CANADA ADMINISTRATIVE RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF ROYAL BANK OF CANADA (hereinafter referred to as the "Bank")

(as at May 25, 2007)

2.2 Conduct Review and Risk Policy Committee

2.2.1 Establishment of Committee and Procedures

a) Establishment of Committee

A committee of the directors to be known as the "Conduct Review and Risk Policy Committee" (hereinafter referred to as the "Committee") is hereby established. The establishment of the Committee will not preclude management from discussing any loan, financial risk or any other matters with the Board of Directors.

b) Composition of Committee

The Committee shall be composed of not less than five directors. As required by the *Bank Act*, none of the members of the Committee shall be an officer or employee of the Bank or of an affiliate of the Bank. A majority of the members of the Committee shall be "unaffiliated", as defined in regulations made under the *Bank Act*.

c) Appointment of Committee Members

The members of the Committee shall be appointed or reappointed at the annual organizational meeting of the directors and in the normal course will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

d) Committee Chairman and Secretary

The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual organizational meeting of the directors, a Chairman from among their number. The Chairman shall not be a former officer of the Bank or of an affiliate. The Committee shall also appoint a Secretary who need not be a director.

e) Time and Place of Meetings

The time and place of and the procedure at meetings of the Committee shall be determined from time to time by the members, provided that:

- i) a quorum for meetings shall be three members, a majority of whom must be "resident Canadians" except as otherwise provided by the *Bank Act*;
- ii) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee and to the external auditors at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called; and
- iii) a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the Committee, other than a resolution of the Committee carrying out its duties under subsection 195(3) of the *Bank Act*, is as valid as if it had been passed at a meeting of the Committee.

f) Reporting to the Board of Directors

- i) The Committee shall report to the Board of Directors following each Committee meeting with respect to its activities and with such recommendations as are deemed appropriate in the circumstances.
- ii) The Committee shall submit a report annually to the Board of Directors on the Committee's activities during the year in carrying out its responsibilities under subsection 195(3) of the *Bank Act* and such report shall be filed with the Superintendent of Financial Institutions.

g) Evaluation of Effectiveness and Review of Mandate

The Committee shall annually review and assess the adequacy of its mandate and evaluate its effectiveness in fulfilling its mandate.

2.2.2 General Scope of Responsibilities and Purpose of the Committee

The purpose of the Committee is to ensure that management has established policies and procedures relating to compliance with the self-dealing provisions of the *Bank Act* and to oversee risk management of the Bank, ensuring that

management has in place policies, processes and procedures to manage the significant risks to which the Bank is exposed, including compliance with applicable laws and regulations. The Committee is to understand the significant risks to which the Bank is exposed, under the Bank's risk framework, and the policies, procedures and controls used by management to assess and manage these risks. The Committee reviews actions taken to ensure a sound and consistent risk profile. In fulfilling its responsibilities, the Committee shall have unrestricted access to management and employees of the Bank.

2.2.3 Specific Responsibilities

a) Conduct Review

The Committee shall:

- i) review and approve on a regular basis standards of business conduct and ethical behavior for the Bank's directors, senior management and employees, including the Code of Conduct for directors and employees of the Bank and any amendments to this Code and obtain on a regular basis reasonable assurance that the Bank has processes to ensure adherence to its standards of business conduct and ethical behavior;
- ii) ensure procedures and practices are established by management as required under section 195(3) of the *Bank Act* relating to self-dealing and under sections 306 of the *Sarbanes-Oxley Act of 2002* relating to insider trades during pension fund blackout periods and personal loans to directors and executive officers;
- iii) establish measurement criteria and benchmarks for permitted transactions with related parties of the Bank and submit these criteria to the Superintendent of Financial Institutions for approval
- iv) in accordance with the provisions of the *Bank Act*, approve the terms and conditions of loans and financial services made available pursuant to subsections 496(4), (5) and (6);
- v) establish and monitor procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information;
- vi) establish and monitor procedures to provide disclosure of information to customers of the Bank that is required to be disclosed by the *Bank Act* and for dealing with complaints as required by subsection 455(1) of the *Bank Act* and satisfy itself that the procedures are being adhered to by the Bank;
- vii) review the practices of the Bank to ensure that any transactions with related parties of the Bank that may have a material effect on the stability or solvency of the Bank are identified; and
- viii) when requested by the Bank, and subject to the laws applicable to the subsidiary, the Committee may perform for and on behalf of a subsidiary all the functions of a conduct review committee of the subsidiary.

b) Risk Policy

The Committee shall:

- i) review and approve on a regular basis the risk management frameworks, principles and policies recommended by the Bank's management, including policies concerning credit risk, market risk, structural risk, fiduciary risk, operational risk and other significant risks to which the Bank is exposed;
- ii) review on a regular basis the Bank's risk management process;
- iii) obtain on a regular basis reasonable assurance that the Bank's risk management policies for significant risks are being adhered to;
- iv) evaluate, on a regular basis, the effectiveness and prudence of senior management in managing the operations of the Bank and the risks to which the Bank is exposed;
- v) review credits granted to the following, and review policies related to those credits:
 - A) entities of which a director of the Bank or his or her spouse is also a director, which has been granted as an exception to the Bank's credit policy; and
 - B) entities controlled by the Bank, in excess of CAN\$250 Million and policies related to those credits.
- vi) approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities
- vii) review comprehensive reporting on significant risks, including credit, market, liquidity, funding and operational risks. With respect to credit risk, the review will include details on the amount, nature, characteristics,

concentration and quality of the credit portfolio, as well as all significant exposures to credit risk through reports on significant credit exposure presented to the Committee as per Schedule I (as revised from time to time by, or with the approval of, the Committee);

- viii) establish investment and lending policies, standards and procedures in accordance with Section 465 of the *Bank Act*; and
- ix) approve annually the adoption of a net debit cap category in respect of daily overdrafts incurred in the Bank's account with the Federal Reserve Bank of New York.