

Corporate governance

Beyond compliance

At RBC, sound corporate governance has long been recognized as an essential element in developing investor confidence. Our approach looks beyond regulatory compliance and builds on our strong governance fundamentals by incorporating best practices to support the Board of Directors' ability to supervise and advise management with the goal of enhancing long-term shareholder value.

Transparency is a key aspect of good governance and the board takes seriously RBC's commitment to clear and comprehensive disclosure. Our practices and policies fully comply with guidelines established by Canadian securities regulators, as well as applicable provisions of the *U.S. Sarbanes-Oxley Act of 2002* and requirements of the New York Stock Exchange and the U.S. Securities and Exchange Commission applicable to foreign private issuers.

Building on our tradition of excellence

To maintain our high standards, we continuously review and assess our corporate governance system. The Board of Directors' dynamic approach to governance anticipates best practices as they evolve. Over the past few years RBC has adopted many significant leading governance practices:

- A policy requiring directors to tender their resignations following the Annual Meeting if they fail to receive majority shareholder support
- Increased minimum share ownership guideline for directors to \$500,000 from the previous level of \$300,000, to strengthen alignment of their interests with those of shareholders
- Increased minimum share ownership requirements for executive officers to further align management and shareholder interests. The President and Chief Executive Officer (CEO) must have shareholdings worth at least eight times the last three years' average base salary. The standard for other members of Group Executive is six times the last three years' average base salary, except the Head of Capital Markets, who must hold shares worth at least two times the last three years' average salary plus bonus
- A Performance Deferred Share Program to strengthen the alignment of the interests of management with shareholders by tying senior management's rewards to the performance of RBC relative to a North American peer group of competing financial institutions
- Limited share dilution resulting from the reduction in the number of stock option grants awarded to management by approximately 70 per cent since 2003.

In addition:

- Our comprehensive Director Independence Policy has continued to evolve in response to best practices and regulatory refinements. Under this policy, 15 of the 16 currently serving directors are independent
- Meetings of independent directors are held regularly
- All members of every committee of the Board of Directors are independent: the Audit Committee, Human Resources Committee, Corporate Governance and Public Policy Committee, and Conduct Review and Risk Policy Committee
- For the Audit Committee, more stringent independence criteria have been implemented, four individuals have been designated as audit committee financial experts, financial literacy requirements have been defined and a policy limiting the service of our Audit Committee members on the audit committees of other companies has been approved
- The Audit, Human Resources, and Corporate Governance and Public Policy committees have sole authority to retain and approve the fees of independent, external advisors. The Human Resources Committee retains an independent compensation consultant
- Board and director evaluation procedures have been enhanced, with written peer reviews added to complement the established peer assessment practice of one-on-one interviews with the Chairman
- The process of selecting individuals for nomination as directors has been formalized to ensure that the strengths of potential candidates are weighed against the competencies and skills that the board as a whole requires.

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David P. O’Brien, Chairman of the Board

Demonstrating leadership

These measures build on our previous governance initiatives, which include, among many others:

- Ensuring independent leadership of the Board of Directors by being first among our peer companies to separate the positions of Chairman and Chief Executive Officer in 2001
- Adopting a policy limiting interlocking directorships of board members in 2002
- Permanently discontinuing grants under the Director Stock Option Plan in 2002
- Being among the first major Canadian companies to expense stock options in financial statements, which we have done since 2003
- Providing continuous educational material, presentations and programs to directors so they remain knowledgeable and informed about the ever-changing business and regulatory environment and the specialized and complex aspects of finance and our business operations.

Enhancing our disclosure

In keeping with our goals of continuously improving governance and providing greater transparency and simplicity in our communications, in recent years we have enhanced disclosure in our Management Proxy Circular, including:

- More detail on the compensation paid to individual directors and their share ownership
- Greater clarity on senior officers’ compensation relative to fiscal year performance
- Three-year, easy-to-read overviews of named executive officers’ compensation
- Aggregate compensation of top executives as a percentage of market capitalization and a percentage of net income after-tax
- Comprehensive description of how the President and CEO’s compensation is determined, including performance metrics and weighting
- Details of comparator companies used for benchmarking of both corporate performance and executive pay
- Increased disclosure regarding executive pensions, including the impact of changes in interest rates, annual service cost, accrued obligation and value of retirement plans for top executives.

Important information about our governance practices

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

- Our Statement of Corporate Governance Practices and Guidelines
- Our Code of Conduct
- The charters of our Board of Directors and each of its committees
- Our Director Independence Policy
- Position descriptions for the Chairman of the Board, the chairs of committees of the board, and the President and CEO
- A summary of significant differences between the NYSE rules applicable to U.S.-listed companies and our governance practices as a non-U.S. issuer
- Our Corporate Responsibility Report and Public Accountability Statement.

2008 Annual Meeting

Shareholders are invited to attend our Annual Meeting at 9 a.m. (Eastern Standard Time) on Friday, February 29, 2008, at the Metro Toronto Convention Centre, North Building, 255 Front Street West, Toronto.