



# Royal Bank of Canada

Statement of Corporate Governance Practices  
(as of February 11, 2019)



# Governance

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This information contained in this document is taken from the RBC 2019 Proxy Circular.

In this document, “RBC”, the “bank”, “we” and “our” mean Royal Bank of Canada; “shares” means RBC common shares; and “shareholder” and “you” mean a holder of shares, unless the context indicates otherwise.

All references to websites are for your information only. The information they contain and any other websites they refer to are not part of this document.

## Our approach to governance

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.

### The core principles that drive our approach



#### Conduct and culture

By setting the tone from above, the board champions the values of trust, integrity and good governance.



#### Stewardship

Directors are the stewards of RBC, exercising independent judgment in overseeing management and safeguarding the interests of shareholders.



#### Strategic oversight

Directors are key advisors to management, advising on strategic direction, objectives and action plans, taking into account business opportunities and RBC's risk appetite.



#### Risk oversight

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.



#### Independence

Independence from management is fundamental to the board's effective oversight, and mechanisms are in place to ensure its independence.



#### Accountability

Transparency is a hallmark of good governance. The board is committed to clear and comprehensive financial reporting and disclosure, and constructive shareholder and stakeholder engagement.



#### Continuous improvement

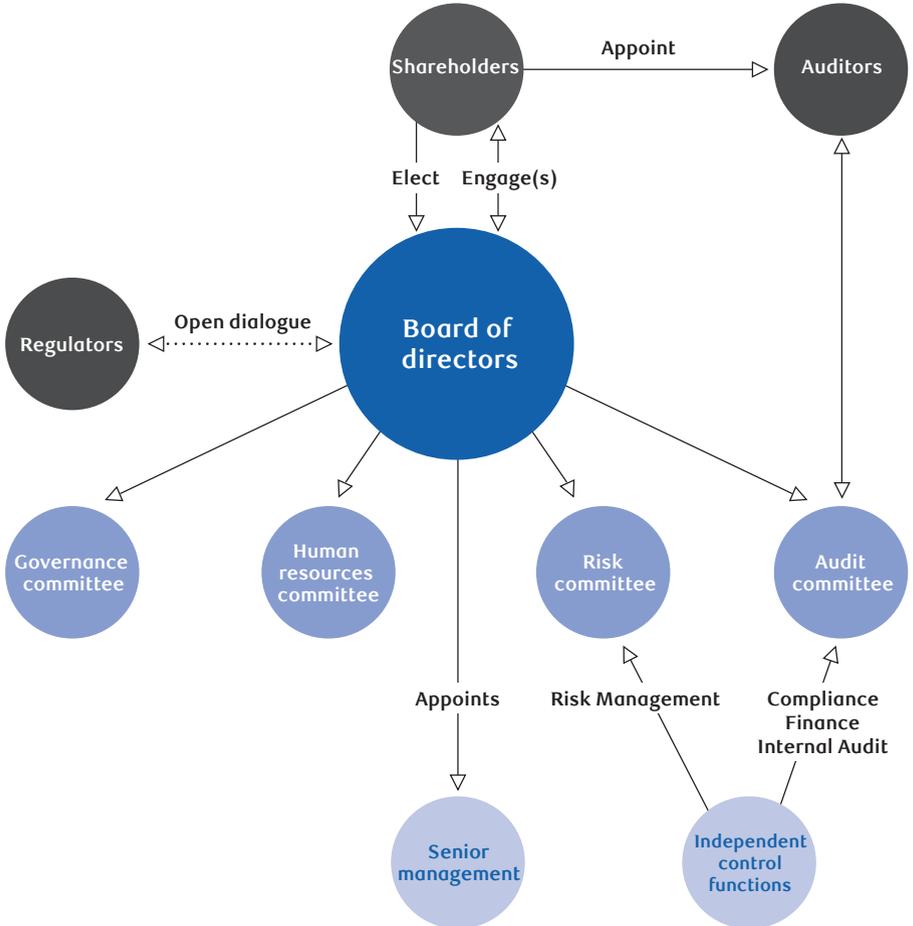
The board is committed to continuously improving its corporate governance principles, policies and practices.

The board exercises its authority in accordance with the *Bank Act* and other applicable laws and regulations, including those of the Canadian Securities Administrators, the Toronto Stock Exchange, the New York Stock Exchange and the U.S. Securities and Exchange Commission.

## Our governance structure

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

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



## Role of the board

### ► Directors oversee management and aim to enhance long-term shareholder value.

The board makes major policy decisions, participates in strategic planning and reviews management's performance and effectiveness. The *Bank Act* specifies important matters the board must address, such as the approval of financial statements and declarations of dividends. The board reserves the right to make certain decisions and delegates others to management. Management may require board approval for some matters that exceed a certain dollar threshold.

## Role of the governance 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 (see page 10 for more information on nominating board members).

During their tenure, directors normally serve on a committee for a minimum of three years, and most of them usually serve on every committee during their tenure as director.

The committee chair reports to the board following each committee meeting.

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.

## Role of the board chair

### ► Kathleen Taylor is our independent board chair.

Having an independent, non-executive board chair enhances management's accountability and the board's independent oversight. The board chair leads board and shareholder meetings and is responsible for the management, development and effective functioning of the board. While she does not serve on any board committee, she attends and participates in committee meetings. The chair does not have the deciding vote if a board vote results in a tie.

The board chair:

- 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 (as outlined on pages 16 and 17) 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.

**You can find the mandates of the board, board chair and board committees at [rbc.com/governance](https://www.rbc.com/governance).**

## What the directors oversee

<b>Conduct and culture</b>	<ul style="list-style-type: none"> <li>• Champion RBC values, as set out in our Code of Conduct</li> <li>• Oversee our culture of integrity in dealing with clients, communities and others, in working together, in how we do business and in safeguarding entrusted assets</li> <li>• Promote a respectful environment where colleagues can speak up and challenge behaviours that do not align with RBC values</li> </ul>
<b>Strategic planning</b>	<ul style="list-style-type: none"> <li>• Oversee our strategic direction, plans and priorities and ensure they align with our risk appetite</li> <li>• Annually approve the strategic plan, taking into account the opportunities and risks of the businesses</li> <li>• Oversee our enterprise approach to climate change with an objective to support our clients in the transition to a low-carbon economy</li> <li>• Discuss and challenge enterprise strategy with management and monitor the implementation of strategic initiatives</li> <li>• Review and approve the RBC organizational structure</li> <li>• Approve our financial objectives and operating plans, including significant capital allocations, expenditures and transactions that exceed delegated authorities</li> <li>• Review the results of the annual assessment of business performance</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>• Oversee and approve our risk appetite framework</li> <li>• Oversee our strategic risk management by approving risk management frameworks and policies and monitoring risk conduct</li> <li>• Promote a strong risk culture and ensure conduct adheres to the enterprise-wide risk management framework</li> <li>• Meet with regulators on our risk appetite and control environment</li> </ul>
<b>Financial reporting and internal controls</b>	<ul style="list-style-type: none"> <li>• Oversee compliance adherence to applicable audit, accounting and financial reporting requirements</li> <li>• Monitor management's implementation and maintenance of effective internal control systems, including management information systems, and assess their adequacy and effectiveness</li> <li>• Approve the quarterly and annual financial reports</li> </ul>
<b>Talent management and succession planning</b>	<ul style="list-style-type: none"> <li>• Review strategies and programs for the assessment and development of senior talent</li> <li>• Supervise succession planning processes, which include the selection, appointment and development of the CEO and group executive</li> <li>• Evaluate and approve the compensation of the CEO and senior management team in a manner consistent with prudential incentives</li> <li>• Annually review and approve the CEO's mandate</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Monitor best governance practices</li> <li>• Develop corporate governance principles and guidelines</li> <li>• Establish appropriate structures and procedures to allow the board to function effectively and independently</li> </ul>

## Our approach to subsidiary governance

### ► RBC takes an enterprise-wide approach to subsidiary governance.

The board and its committees oversee subsidiary governance on an enterprise level; the governance committee coordinates this oversight.

The Subsidiary Governance Office manages the governance of RBC subsidiaries through a network of global offices that act as regional governance hubs, bringing together local expertise and global oversight. This centralized approach provides consistency and transparency, enabling us to be responsive to evolving business needs, best practices and regulatory requirements and expectations.

Our policies on subsidiary board composition and functioning enhance our strong governance. Active and engaged subsidiary boards play a key role in overseeing our legal entities. Many have recruited independent directors with specific skills and experience to assist the board in challenging management and furthering the strategic priorities of RBC and its subsidiaries. Consistent with RBC’s focus on diversity and inclusion, we continue to accelerate gender and non-gender representation on our subsidiary boards and to leverage the subsidiary board experience to build talent for growth across the organization.

## 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.

There are many ways people can engage with us and access important information:

<b>Board of directors</b>	Stakeholders can communicate with the directors or the board chair as described at <a href="http://rbc.com/governance">rbc.com/governance</a> .
<b>Management</b>	The CEO, group executive and senior management, Investor Relations and the secretary meet regularly with financial analysts, investors and other stakeholders.
<b>Investor Relations</b>	Investor Relations is responsible for communicating with the investing public on behalf of RBC.
<b>Live broadcasts</b>	We broadcast live our quarterly earnings calls with analysts and archive them on our Investor Relations site for a period of three months after each call. We also broadcast our annual meeting live and archive it on our Investor Relations site until the next annual meeting.

Please see the back cover of this circular for the contact details of the board chair, secretary, Shareholder Relations and Investor Relations.

## Conduct and culture

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).

- **The board did not grant any waivers of our Code of Conduct to executive officers or directors in 2018.**

## 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

## Governance

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

Diversity and inclusion has always been a core value at RBC. We believe attracting and retaining the best talent requires considering a diverse range of skills and backgrounds and embracing difference. The board is committed to diversity and inclusion at all levels as it provides RBC access to a wider pool of talent and drives creativity, innovation and growth.

### Board Diversity Policy

#### ► 42% of our director nominees are women.

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

#### ► 45% of our executives in Canada are women, and 22% of our group executive are women.

Diversity is integrated throughout our approach to talent management, which is highlighted on page 80. 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). 22% of our group executive are women. 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.\*

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

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](https://www.rbc.com/diversity).

## Board independence

### ► All 2019 director nominees are independent except for our CEO.

To be effective, the board must be independent of management. To this end, the board has adopted a Director Independence Policy that incorporates the “affiliated persons” regulations from the *Bank Act* and the definition of “independence” from the Canadian Securities Administrators 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](https://www.sedar.com) and is available at [rbc.com/governance](https://www.rbc.com/governance).

### Assessing director independence

Directors are independent only if they are unaffiliated with RBC and the board has determined that they have no direct or indirect material relationship with RBC that could interfere with their independent judgment.

To determine whether directors are independent, the board uses information about their personal and business relationships with RBC, including their personal banking and financial services information. The board collects this information from sources such as:

- director responses to an annual detailed questionnaire
- director biographical information, and
- internal records and reports on relationships between directors, entities affiliated with directors and RBC.

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.

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

## Guidelines to address other professional activities

- ▶ **None of the director nominees serve on more than two public company boards, in addition to RBC.**

Directors must notify the board chair, governance committee chair and secretary before they engage in any new professional activities, including a directorship on another board, public or private, an employment with another organization and any role as an advisor or a consultant. The board chair and governance committee chair assess whether the directors will have sufficient time and energy to devote to their RBC responsibilities and evaluate potential circumstances that could impact their independent thinking.

<b>Board interlock policy</b>	No more than two RBC board members may serve on the same public company board. Currently no RBC director serves on another public company board with another RBC director.
<b>Service on public company audit committees</b>	No member of the RBC audit committee may serve on an audit committee of more than two other public companies.

## Maintaining independence

The board has established other important ways to maintain its independence.

<b>Access to management</b>	All independent directors have unrestricted access to management and RBC employees.
<b>External advisors</b>	Each board committee and, with the approval of the board chair, individual directors may engage external advisors at the expense of RBC to ensure they have access to independent advice.
<b>In camera sessions</b>	The board chair and committee chairs lead sessions without management to facilitate open and candid discussion among the directors.

- ▶ **In fiscal 2018, all board and regularly scheduled committee meetings had an *in camera* session without management.**

## Nominating, developing and evaluating board members

### Finding the right director candidates

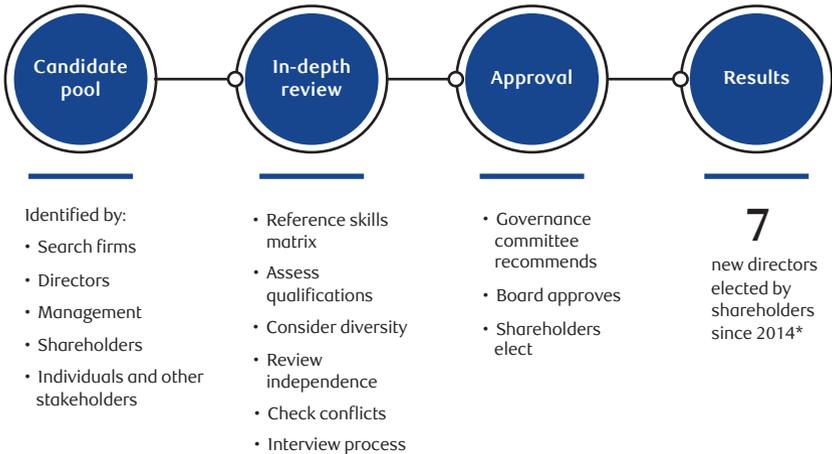
- ▶ **We engage an independent search firm to help identify high-potential candidates.**

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.

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 (see page 17) indicating the major competencies and experience that each director contributes.

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.



## How to submit a nomination

<b>Shareholders</b>	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.
<b>Proposal under the <i>Bank Act</i></b>	In accordance with the <i>Bank Act</i> , qualifying shareholders may submit a formal proposal to nominate an individual for director.
<b>Nomination under the Proxy Access Policy</b>	The board has adopted a Proxy Access Policy, which provides an additional way for shareholders to submit director nominations. This policy can be found at <a href="http://rbc.com/governance">rbc.com/governance</a> .
<b>Individuals and other stakeholders</b>	Individuals and other stakeholders may also submit candidates to the board chair.

Contact information can be found on the back cover of this circular.

## Evaluating candidates for the board

The governance committee and the board chair work together to consider all qualified individuals and maintain an evergreen list of potential candidates. A sub-committee of directors, constituted from time to time, assists with this process.

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 ESG matters and share a commitment to the RBC values of integrity and putting the client first, diversity and inclusion, accountability and collaboration.

\* This number includes Tom Renyi who retired from the board on November 30, 2018.

## Governance

Our director effectiveness framework lays out the skills, commitment and conduct we expect from new and current directors (see page 16 for more on this). The governance committee also focuses on diversity, including gender and non-gender diversity, when considering candidates to nominate.

### Board size considerations

► **This year, 12 nominees are standing for election as a director.**

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.

### 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
- to achieve ongoing board renewal.

<b>Directors*</b>	A director's term lasts 15 years or until they reach the age of 70, whichever comes first.  New directors may serve for at least six years, regardless of their age.
<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.

\* For directors who joined the board prior to May 27, 2011, the term starts on March 1, 2012.

Term limits do not take precedence over our annual director effectiveness evaluation. Re-nominations for election as directors will be based on the needs of the board and RBC given its strategic objectives and will take into consideration the results of the effectiveness evaluation and peer reviews.

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

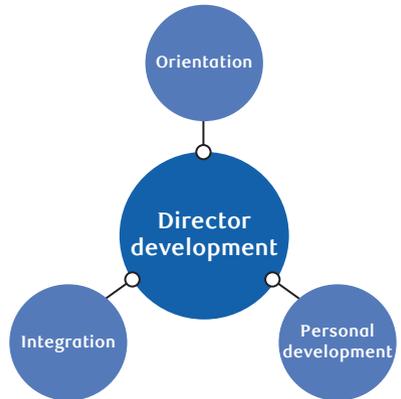
- their qualifications, independence or other credentials change
- they no longer meet the eligibility rules under the board’s conflict of interest guidelines, or
- they are no longer qualified under the *Bank Act* or other applicable laws.

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.

### Helping directors succeed in their roles

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.



Key pillar	Director activities and resources
<p><b>Orientation and onboarding</b></p>	<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>
<p><b>Integration</b></p>	<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>

Key pillar	Director activities and resources
<b>Personal development</b>	<ul style="list-style-type: none"> <li>• Education sessions and materials:               <ul style="list-style-type: none"> <li>- presentations by senior executives on the business and regulatory environment, including specialized and complex aspects of our businesses and operations</li> <li>- 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</li> <li>- areas of shared concern or oversight covered in joint educational sessions across committees</li> <li>- online resource library of information on relevant topics, including educational opportunities outside RBC</li> </ul> </li> <li>• Tailored programming:               <ul style="list-style-type: none"> <li>- programs to address the particular needs of each director based on their background, experience and personal focus areas</li> <li>- opportunities relevant to directors at large financial institutions (e.g. Global Risk Institute, Group of Thirty, Bank Governance Leadership Network)</li> </ul> </li> <li>• Membership at the Institute of Corporate Directors (Canada) and National Association of Corporate Directors (U.S.)</li> </ul>

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.

Quarter	Education presentations	Attendance
Q1 2018	Davos 2018 – RBC Debrief Cyber Security Annual Update Climate Risks, Opportunities & Disclosures Enterprise Data Strategy in the New Data Landscape Emerging Legal Strategy International Financial Reporting Standards (IFRS) 15 – Revenue, IFRS 16 – Leases and IFRS 17 – Insurance Contract Accounting Semi-Annual Regulatory and Government Affairs Update Climate Change Position Statement and the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures Operational Risk Evolution and Management	Board Board Audit/Risk Audit/Risk Audit/Risk Audit  Governance Governance  Risk
Q2 2018	Gallery Walk – Data Strategies for Risk Management Potential Impact of Digital and Technology Platforms – A Tech Entrepreneur’s Perspective Finance Information Technology Strategy Assessing Audit Quality at PwC City National Bank Through a ‘Risk Lens’ RBC Capital Markets Loan Book Through a ‘Risk Lens’ Cyber and IT Risk Update	Board Board  Audit Audit Risk Risk Risk
Q3 2018	Technology & Operations Strategy Update Internal Audit Technology Strategies and Solutions Semi-Annual Regulatory and Government Affairs Update Early Talent Acquisition and Digital Talent Strategy Enhancing Operational Risk Capabilities and Practices	Board Audit Governance HR Risk
Q4 2018	The Payments Battleground and the Future of Payments – A Global Banker’s Perspective Outlook for U.S. Energy, Supply and Demand Global Risks of 2020s – A Canadian Diplomat’s Perspective Outlook for Financial Institutions and State of Corporate Governance – An Institutional Investor’s Perspective State of American Politics, Midterms Forecast and 2018/2019 Outlook – A U.S. Political Strategist’s Perspective Gallery Walk – Borealis AI and Innovation Through Artificial Intelligence, Machine learning and Data Analytics Fundamental Review of the Trading Book Leadership Strategy Update Consumer Indebtedness and Rising Rates in Canada	Board  Board Board Board Board  Board  Audit/Risk HR Risk



## Evaluating the directors, committees and chairs

### ► An independent consultant designs and confidentially administers the evaluations.

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. Managed by the governance committee, this process also includes separate evaluations of the board chair and each committee chair and a peer review of each director. The results inform the board’s development of priorities and action plans for the following year. The evaluations also form part of the governance committee’s assessment of the skills and competencies director nominees need for election or re-election.

### Expectations of our directors

Our director effectiveness framework identifies the key characteristics and behaviours the board considers essential for each director to fulfil their role successfully. This framework forms the basis of the peer evaluation components of the evaluation and reflects the board’s commitment to improvement on an organizational and individual level.

#### 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

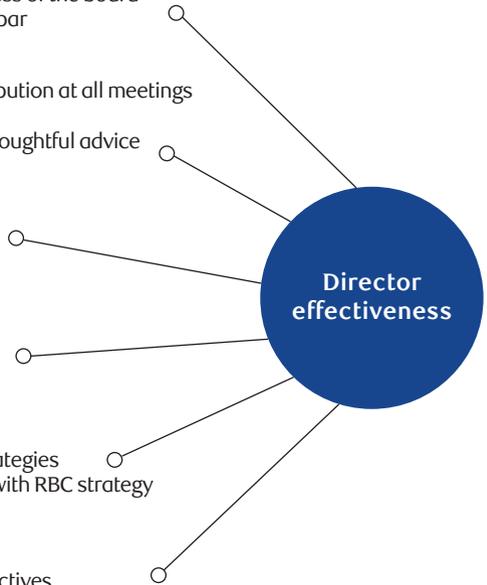
- Appropriately challenges the status quo
- Can make tough decisions
- Champions change

#### Strategic orientation

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

#### Business acumen

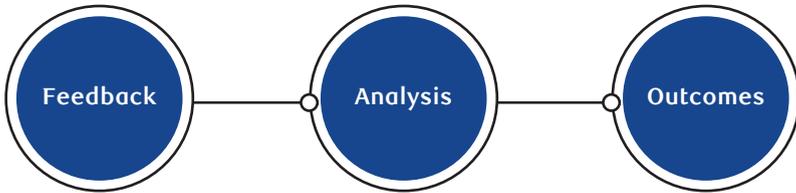
- Focuses on the right performance outcomes
- Balances short-, medium- and long-term objectives
- Exhibits sound judgment and thoughtfully balances trade-offs



## Annual evaluations

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.



Feedback is collected through questionnaires and through meetings between the board chair and the committee chairs as well as one-on-one meetings between the board chair and directors.

The **board** is evaluated by all directors and the group executive.

The **board chair** is evaluated by all directors, including the CEO.

The **committees** and **committee chairs** are evaluated by committee members and applicable senior management.

Each **independent director** completes a personal and peer review.

An independent consultant analyzes the feedback and prepares the reports.

The board and governance committee review the **board and board chair reports**. The governance committee chair reports to the board on the effectiveness of the board chair.

The governance committee and applicable committees review the **committee and committee chair reports**. The board chair reviews the **committee chair reports**.

The board chair reviews the **independent director reports** and peer feedback.

Priorities and action plans are developed for the **board** and **committees** and the **committee chairs** as well as the **board chair**.

Development opportunities are identified, as required, for each **independent director**.

Reports and peer reviews are taken into consideration during the re-nomination process.

## Director compensation

### Our approach to compensation

Experienced, focused and talented directors are essential to achieve our strategic objectives and provide effective guidance to and oversight of management.

The governance committee is responsible for all aspects of director compensation and annually reviews the amount and form of non-executive director compensation, taking the following into account:

- Size, complexity and geographic scope of RBC
- Expected time commitment of directors
- Overall expertise and experience required
- Need for a compensation that is fair and that positions RBC to attract highly qualified directors
- Alignment of interests between directors and shareholders

### Decision-making process

The governance committee assesses the design and competitiveness of director compensation in the context of industry best practices and with reference to a core Canadian comparator group of companies (including financial institutions) that have a similar size, complexity and geographic scope to RBC:

Canadian comparator group			
Financial institutions		Non-financial institutions	
Bank of Montreal	Manulife Financial	BCE	Suncor Energy
Bank of Nova Scotia	Sun Life Financial	Canadian National Railway	TransCanada
Canadian Imperial Bank of Commerce	Toronto-Dominion Bank	Enbridge	

The governance committee also considers a broader comparator group of U.S. and international financial institutions for additional context in determining director compensation.

### Compensation structure

We believe in an effective and transparent compensation structure. Each non-executive director is paid a flat annual fee covering all of their responsibilities, attendance and work performed during the year, including membership on two board committees. The board chair and the committee chairs each receive an additional retainer.

Directors are also reimbursed for travel and other expenses incurred to attend board, committee and other meetings or business at the request of RBC.

In fiscal 2018, RBC directors were compensated as follows:

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

David McKay, as CEO of RBC, does not receive any director compensation.

Non-executive directors do not receive stock options and do not participate in RBC pension plans.

## No changes to compensation

There were no changes to board compensation in 2018 and no changes recommended or approved for 2019.

## Alignment of director and shareholder interests

The board believes the following three measures effectively align the interests of our directors and shareholders.

### 1. Share ownership requirement

Within five years of joining the board, directors are required to own RBC equity with a total aggregate value of at least \$750,000 or three times the total board retainer. Directors must own at least 1,000 RBC common shares as part of this investment.

### 2. Investment of director fees

Director investments in RBC equity are facilitated through the director share purchase plan (for RBC common shares) and the director deferred stock unit plan (for director deferred stock units, DDSUs). DDSUs are notional units that have the same value as our common shares. When a DDSU is credited to or redeemed by a director, its value is calculated using the average closing price on the TSX of an RBC common share over the five preceding trading days.

Directors must invest at least \$150,000 of their annual board retainer (the equity portion) in either RBC common shares or DDSUs. Until a director owns at least 1,000 RBC common shares, the equity portion of the board retainer will be paid in shares. Shares are purchased at market price. Directors may invest up to 100% of the cash portion of their annual board retainer in either DDSUs or common shares. Directors cannot sell shares purchased with the equity portion of their annual board retainer or redeem any DDSUs until they retire from the board.

### 3. Restrictions on trading and hedging RBC securities

Directors cannot:

- sell RBC securities directly or indirectly if they do not own or have not fully paid for them (a short sale)
- buy or sell a call or put on RBC securities, directly or indirectly, or
- enter into equity monetization transactions that would have an effect equivalent to creating call or put rights in respect of RBC securities or other financial instruments designed to hedge or offset a decrease in the market value of RBC securities.

## Compensation for membership on subsidiary boards

Non-executive directors may be asked to serve as directors of RBC subsidiaries and are paid for their services and reimbursed for travel and other expenses. Mr. Renyi served on the board of RBC USA Holdco Corporation (now known as RBC US Group Holdings LLC), our U.S. intermediate holding company (IHC), until his resignation on November 30, 2018 as member of the board and chair of the human resources & governance committee. On April 9, 2018, Mr. Chisholm was appointed to the IHC board of directors. During fiscal 2018, Mr. Renyi and Mr. Chisholm were paid pro-rated portions of a board retainer of US\$135,000 while Mr. Renyi was also paid a pro-rated portion of the US\$30,000 committee chair retainer. Mr. Renyi and Mr. Chisholm received their 2018 compensation in DDSUs.

Breakdown of annual board retainer

