# Governance

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## Direction compensation

The information in this document is as of February 8, 2022. All dollar amounts are in Canadian dollars, unless stated otherwise.

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 statement.
Our approach to governance

We are committed to high standards of governance that are consistent with regulatory expectations and evolving best practices and 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 is transparent, accountable and ethical. It involves an independent board actively engaging with all stakeholders, knowing the business and its risks, constructively challenging management, understanding the opportunities and challenges of a changing industry and economy, and setting robust standards and principles that will guide RBC in delivering on its purpose of helping clients thrive and communities prosper while enhancing value for our shareholders.

The core principles that drive our approach

Culture and conduct
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 and other stakeholders.

Strategic oversight
Directors are key advisors to management, advising on strategic direction, objectives and action plans, taking into account business opportunities and the bank’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-aware culture throughout RBC.

Independence
Independence from the bank and 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 to 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 (Canada) 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 define values that set the tone of our organizational culture 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 and the Corporate Governance Guidelines of the Office of the Superintendent of Financial Institutions Canada (OSFI) specify 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 requires board approval for matters that exceed certain dollar thresholds.
Board oversight during the COVID-19 pandemic

In 2021, the board and its committees continued to monitor, oversee and provide appropriate guidance to management regarding the ongoing impact of the pandemic to the bank’s businesses and strategy. The board continued to oversee the achievement of the bank’s priorities and effectively fulfilled their duty to supervise the management of the business and affairs of the bank.

Role of the governance committee

The governance committee oversees board renewal and nominates directors for election or re-election (see page 13 for more information on nominating board members). The governance committee also recommends committee membership and committee chair successors and oversees the process for board chair succession.

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

Directors serve on two committees at a time for a minimum of three years per committee, and many directors serve on every committee during their tenure as director.

The governance committee chair, as well as each committee chair, reports to the board following each committee meeting.

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 board chair does not have the deciding vote if a board vote results in a tie.

Among other things, the board chair also:

• 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 18 to 19) 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
• periodically attends board meetings and meets with independent directors of our key 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.
## What the directors oversee

| Culture and conduct | • Establish the tone from above, set the standards of conduct and champion RBC values, as set out in our Code of Conduct  
| | • Set and expect the highest standards of ethics and integrity at RBC to build and maintain the trust of our clients, shareholders, employees, and communities  
| | • Promote a respectful environment and encourage employees to help shape our culture by speaking up and challenging behaviours when they do not align with RBC values  
| Strategic planning | • Oversee our strategic direction, plans and priorities and ensure they align with our risk appetite  
| | • Discuss and challenge management in setting enterprise strategy and monitor its implementation and effectiveness  
| | • Annually approve the strategic plan, taking into account the opportunities and risks of our businesses  
| | • Approve our financial objectives and operating plans, including significant capital allocations, expenditures and transactions that exceed delegated authorities  
| | • Review and approve the RBC organizational structure  
| | • Review the results of the annual assessment of business performance  
| Risk management | • Oversee and approve our risk appetite framework  
| | • Oversee strategic risk management by approving risk management frameworks and policies  
| | • Promote a strong risk culture and monitor that conduct adheres to the enterprise-wide risk management framework  
| | • Meet with regulators, including to discuss our risk appetite and control environment  
| Financial reporting and internal controls | • Approve the quarterly and annual financial reports  
| | • Oversee compliance with applicable audit, accounting, financial reporting, legal and regulatory requirements  
| | • Oversee the qualifications, performance and independence of the external auditors and the performance of the internal audit function  
| | • Monitor the implementation and maintenance of effective internal control systems, including management information systems, and assess their adequacy and effectiveness  
| Talent management and succession planning | • Supervise succession planning processes, which include the selection, appointment and development of the CEO and senior management team, including the Group Executive  
| | • Evaluate and approve the compensation of the CEO, Group Executive and senior management team in a manner consistent with prudential incentives  
| | • Annually review and approve the CEO’s mandate  
| | • Review strategies and programs for the assessment and development of talent and for increasing diversity and inclusion at all levels of the organization  
| Environmental and social | • Oversee our enterprise approach to environmental and social (E&S) matters, including the bank’s corporate citizenship strategy, and ensure the bank’s business is conducted to meet high standards of E&S responsibility  
| | • Review and approve our enterprise climate strategy  
| | • Oversee the bank’s E&S disclosure, including the ESG Performance Report and the Task Force on Climate-related Financial Disclosures (TCFD) Report  
| Governance | • Establish appropriate structures and procedures to allow the board to function effectively and independently  
| | • Develop and implement corporate governance principles and guidelines  
| | • Monitor best governance practices |
Our approach to subsidiary governance

RBC takes an enterprise-wide approach to subsidiary governance.

The board and its committees oversee subsidiary governance at an enterprise level and the governance committee coordinates this oversight. Effective oversight by the board is supported by defined mechanisms for escalating subsidiary risk and governance issues, formal and informal touchpoints between the board, senior management and local subsidiaries and regular enterprise-wide subsidiary reporting and approval of key enterprise-wide frameworks. In addition, the board chair and committee chairs periodically attend subsidiary board and committee meetings and meet with independent directors of our key subsidiaries.

The subsidiary governance office manages the corporate governance of RBC subsidiaries through a network of global offices that act as regional corporate 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 independent directors with specific skills and experience to assist the board in advancing the strategic priorities of RBC and its subsidiaries and constructively challenging management. We continue to further enhance the representation of women as well as other underrepresented groups on our subsidiary boards aligned to enterprise diversity and inclusion strategies and to leverage the subsidiary board experience to build talent for growth across the enterprise.

Culture and conduct

The board sets and expects the highest standards of conduct at RBC to build and maintain the trust of our clients, shareholders, employees, and communities. 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 culture and conduct is broad and demands that we adopt a continuous improvement mindset towards our practices.

To that end, the governance committee oversees the management of culture and conduct and monitors emerging trends and best practices through enhanced board and committee reporting on culture and conduct matters, such as client complaint handling and outcomes, organizational and employee conduct and risk culture, as well as the impact on the integrity, soundness and resilience of financial markets and on our reputation.

The governance committee meets on a regular basis with the Chief Human Resources Officer (CHRO), Chief Risk Officer (CRO), Chief Legal Officer (CLO) and Chief Compliance Officer (CCO) to review key matters and progress on programs that strengthen enterprise culture and conduct.

We also encourage our employees to help shape our culture by speaking up and challenging behaviours when they do not align with our values.

Our Code of Conduct

The RBC Code of Conduct establishes standards of desired behaviours that apply to directors, senior management, all employees and contract workers, 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 of Conduct and closely collaborates with management to set the tone from above and promote a strong governance culture that influences RBC at every level and across all our global businesses.

Our Code of Conduct sets out fundamental principles that guide the board in its deliberations. It creates a frame of reference for properly addressing sensitive and complex issues, requires directors, senior management, all employees and contract workers to report misconduct and outlines our accountabilities if standards of conduct are not upheld.

RBC fosters an open and transparent environment where employees can speak up and raise concerns through various channels without any form of retaliation. The RBC global conduct hotline is a confidential channel that is accessible to all employees to raise concerns and report misconduct. A third-party, independent of RBC, administers the hotline, and employees can use it anonymously.

We have an online learning program and annual employee testing and acknowledgement to demonstrate that employees are familiar with and understand the values and principles outlined in our Code of Conduct. Directors must acknowledge each year that they have read and understand the Code of Conduct 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.

Waivers of the application of the Code of Conduct 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 applicable law.
A copy of our Code of Conduct is available at rbc.com/governance and has been filed with the securities regulators at sedar.com.

The board did not grant any waivers of our Code of Conduct to executive officers or directors in 2021.

Financial reporting hotline
Our stakeholders rely on the accuracy of our financial reporting. Employees and contract workers, senior management, directors and third parties are encouraged to report, on a confidential and anonymous basis, any allegations of wrongdoing relating to accounting, auditing or internal accounting controls via the RBC global conduct hotline. Details on our reporting hotline can be found at 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 personal or business interests. As part of its oversight of conduct review, the governance committee establishes and monitors procedures to resolve conflicts of interest. 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.

The governance committee is responsible for overseeing transactions with directors and senior officers of the bank who are related parties as defined under the Bank Act. It periodically approves the procedures governing permitted transactions with related parties and receives regular reports to ensure that transactions with related parties comply with the Bank Act and internal procedures.

Environmental, social and governance (ESG) matters
Our approach to ESG
The bank's ability to manage ESG matters is fundamental to our long-term success. It enables us to deliver on our purpose to help clients thrive and communities prosper, and create meaningful value for our clients, employees, communities, and shareholders.

We employ a disciplined approach to define our strategy, priorities and signature programs, which takes into account the key drivers of economic prosperity and the forces of change that present opportunity and challenge to those we serve. We focus on where we have the social license and opportunity to contribute in meaningful ways, and partner with others to work on solutions.

We also use various non-monetary levers to multiply the impact of our work, including thought leadership, the power to connect and convene, the expertise and generous spirit of employees, and the bank's own assets as an enterprise, including our leading brand and scale.

And finally, we measure the impact of our ESG priorities and signature programs by tracking outcomes and then using this information to inform our programming decisions and strategy development. Our Impact Measurement Framework enables us to more accurately measure and produce insights about the overall impact of our initiatives on society, the environment, the economy, our employees, our brand and our business. It guides better decision-making for future commitment and initiatives, and enables us to provide evidence of the impact we create and communicate internally and externally.

By taking these steps, we create meaningful value for our stakeholders:

<table>
<thead>
<tr>
<th>Clients</th>
<th>Employees</th>
<th>Communities</th>
<th>Shareholders</th>
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<tr>
<td>We provide impactful products, services and advice to support the unique and evolving needs and expectations of our clients. This includes delivering meaningful insights, advice and solutions, collaborating across the bank and strategic partnerships, and accelerating our focus on innovation and digital strategies.</td>
<td>Recognizing the positive impact employees make at RBC and also for our clients, communities and each other, we attract and develop talent, create growth and development opportunities, and drive a diverse and inclusive culture.</td>
<td>We are committed to help creating positive social and economic impact in the communities where we live and work, and we play an essential role in the areas of the environment, diversity and inclusion, financial literacy, inclusive economic growth and prosperity, and building a more sustainable economy.</td>
<td>Through strong governance, we enhance shareholder value and deliver a robust capital position, balance sheet and credit ratings.</td>
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Environment

Climate change is one of the most pressing issues of our age. We are committed to: helping clients as they transition to net-zero; holding ourselves accountable; informing and inspiring a sustainable future; and advancing net-zero leadership in our operations.

In 2021, RBC:
✓ Committed to net-zero emissions in our lending by 2050, aligned with the global goals of the Paris Agreement
✓ Expanded its commitment to $500 billion in sustainable finance by 2025
✓ Joined the Net Zero Banking Alliance (NZBA), Partnership for Carbon Accounting Financials (PCAF), the Rocky Mountain Institute’s (RMI) Center for Climate Aligned Finance and the Sustainable Finance Action Council (SFAC).
✓ Published “The $2 Trillion Transition: Canada’s Road to Net-Zero”, research that outlines the costs and opportunities of Canada’s journey to net-zero emissions
✓ Issued a five-year US$750 million green bond, our second green bond offering and first issuance through our Sustainable Bond Framework
✓ Launched our first ESG equity-linked GIC, RBC ESG Market-Linked GIC, for E&S-focused investors

Social

The pandemic and other contemporaneous events have shone the spotlight on systemic racism in our society. We are committed to being a leader in diversity and inclusion, within our own operations, with suppliers and in the communities we serve. Additionally, our approach to community investment focuses on helping to address significant societal issues and creating more inclusive opportunities for communities to thrive.

In 2021, RBC:
✓ Accelerated our progress in diversity and inclusion, with the representation of women executives at 44%, and Black, Indigenous and people of colour executives at 23%³
✓ Provided $265+ million through RBC Future Launch® since 2017, reaching over 3.6 million Canadian youth
✓ Invested $140+ million² globally through cash donations and community investments, including support to mitigate the human and economic impact of the COVID-19 pandemic
✓ Raised $23 million by employees and retirees through our annual Employee Giving Campaign
✓ Committed $100 million to help Black entrepreneurs reach their full potential through the RBC Black Entrepreneur Program providing access to capital and resources necessary to start and grow a successful business
✓ Supported employees as they navigated the pandemic by enhancing mental health and wellness supports

Governance

Good governance is fundamental to our business, and it underpins everything we do.

In 2021, RBC:
✓ Established the Climate Strategy Steering Committee (composed of key executives across the enterprise) and the Climate Strategy & Governance Team, focused on providing enterprise-wide direction on strategies to address climate-related risks and opportunities
✓ Increased executive oversight with the creation of the ESG Disclosure Council, established to provide executive direction and oversight of ESG disclosures and underpinning process and controls
✓ Continued our human rights governance efforts, including advancing the implementation of the commitments in our Human Rights Position Statement, with our Human Rights Working Group which includes senior representatives from key business units and functions

¹ Represents data based on self-identification for our businesses in Canada governed by the Employment Equity Act (Canada).
² Includes contributions to non-profits or non-registered charities, employee volunteer grants, community sponsorships, community-benefiting program costs and gifts in-kind for the period of November 1, 2020 to October 31, 2021. Figure does not include brand sponsorships.
Board governance of ESG

The board and its committees balance their oversight of ESG matters with specific subject-matter expertise, groups and functions responsible for relevant programs, products, policies and performance rooted within the business units across the bank, and they combine this strategic oversight with decision-making.

| Board | Responsible for the bank’s business plan, strategy, risk appetite and culture. It oversees our climate strategy and how we manage E&S risks and opportunities, our enterprise approach to social matters including diversity and inclusion and corporate citizenship, and our governance structure, principles and guidelines. |
| Governance committee | Advises the board on ESG matters, including the status and adequacy of efforts to ensure our business is conducted to meet high standards of ethics and E&S responsibility. Oversees and coordinates ESG matters at the board and its committees, including ESG reporting and the bank’s corporate citizenship strategy. |
| Audit committee | Oversees the bank’s financial reporting, internal controls over financial reporting and disclosure controls and procedures. It reviews our annual report, which includes disclosure of the bank’s E&S risks as well as TCFD-related disclosure in the annual report. |
| Human resources committee | Oversees compensation and recommends for board approval CEO and Group Executive compensation, including short-term incentives, which considers environmental sustainability and social and governance results. Responsible for talent management and human resources strategies including diversity and inclusion and health and wellness. |
| Risk committee | Oversees significant and emerging risks to the bank, including E&S risks. It recommends for board approval our Enterprise Risk Appetite Framework, which requires consideration of E&S risks when making risk management decisions. |

Our approach to corporate governance is covered in detail throughout this document. The highlights listed below focus on E&S governance initiatives.

Spotlight on key 2021 ESG highlights at the board and its committees

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<th>Environment</th>
<th>Social</th>
<th>Governance of E&amp;S</th>
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<td>✓ In-depth presentations to the board and discussions on the bank’s climate strategy, including our updated Climate Blueprint and our NZBA commitments</td>
<td>✓ Governance committee received annual update on our corporate citizenship initiatives and strategy and approved global donations budget</td>
<td>✓ Annual approval by the board of our Enterprise Risk Appetite Framework, which requires consideration of E&amp;S risks</td>
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<td>✓ External presentation to the board on the Global Context on Climate and Considerations for Boards</td>
<td>✓ Approval by the governance committee of our UK and Australian Modern Slavery Act Statement and review of our Public Accountability Statement</td>
<td>✓ Annual approval by the governance committee of our Code of Conduct and regular reporting on culture and conduct</td>
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<td>✓ Engagement by the risk committee with the Chief Risk Officer to ensure that E&amp;S risks are embedded into our risk frameworks, policies and procedures with regular updates on climate risk</td>
<td>✓ Regular executive talent reports to the human resources committee on diversity leadership metrics for women and Black, Indigenous and people of colour</td>
<td>✓ Review by the governance committee of our suite of ESG disclosures, including the ESG Performance Report</td>
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<td>✓ Joint audit and risk committees meeting to review our annual enterprise-wide stress testing which factored in physical and transition risks</td>
<td>✓ Results of the 2021 Employee Engagement Survey presented to the human resources committee</td>
<td>✓ Enterprise Risk Reports presented quarterly to the risk committee, including updates on trends and regulatory developments related to climate risks and human rights risks</td>
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<td>✓ Updates on regulatory and political developments related to climate change and trends on investor and proxy advisor perspectives presented to the governance committee</td>
<td>✓ Discussion at the human resources committee of our Future of Work strategy, including hybrid work, return to premises and vaccination</td>
<td>✓ Approval of the CEO and Group Executive compensation, which considered environmental sustainability, and social and governance practices, as part of the evaluation of their performance against risk and strategic objectives in our short-term incentive program</td>
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<td>✓ Review by the governance committee of the TCFD Report</td>
<td>✓ Reporting to the risk committee on human rights risks and integration into our risk management framework</td>
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ESG recognition

RBC is recognized as an “Outperformer” or “Leader” by our top tier ESG rating agencies and indices, and have an average 82 percentile ranking across priority ESG indices1.

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1 Average percentile ranking compiled from our four top-tier ESG ratings/rankings, including Sustainalytics, MSCI ESG Rating, FTSE4Good and RobecoSAM’s Corporate Sustainability Assessment (informing the DJSI). This metric was formally called ESG Composite Index. See our 2021 ESG Performance Report for more information.
Our ESG journey

For more than 150 years, RBC has been committed to creating long-term, sustainable value for our stakeholders. The experience we have gained through the years will help us build a better future.

As more fully described on pages 68 and 74-76 of our 2022 management proxy circular, our executive compensation program rewards executives for successfully executing on the bank’s strategy, which includes ESG priorities.

Diversity and inclusion in action

Diversity and inclusion has always been a core value at RBC. Our vision is to be among the most inclusive and successful companies, putting diversity into action to help employees, clients and communities thrive. To support that vision, we seek to be a recognized leader in inclusion and leadership diversity and the financial institution of choice for diverse client markets, and to leverage diversity and inclusion for the growth and success of RBC, our clients and communities. We also seek to attract and retain the best talent from the entire talent pool, which requires considering a diverse range of skills and backgrounds and embracing differences. 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

A balanced and diverse board is critical to successful board oversight. We firmly believe that the board should reflect the diversity of our clients, employees, shareholders, and communities. We are proud of the leadership role we play in promoting board gender diversity in corporate Canada and the progress we have made toward achieving a diverse board that today has 46% of members who identify as women. We recognize that we need to continue to enhance the representation of people who identify as Black, Indigenous, people of colour as well as members of other historically underrepresented groups among board members.

To help achieve our diversity objectives, the board has approved a Board Diversity Policy which establishes that diversity is a critical lens through which the governance committee assesses each director candidate necessary to meet our goals of excellence, innovation and success. Pursuant to our commitment to a balanced and diverse board, gender and non-gender diversity, ethnicity, race, ancestral origin, age, geography, background, sexual orientation and other dimensions of diversity are always important factors considered by the governance committee. The Board Diversity Policy also requires that men and women each comprise at least 35% to 45% of directors.

Diverse representation at the board

- 46% of nominees have identified as women
- 23% of nominees have identified as Black, Indigenous or people of colour

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 through the lens of our Board Diversity Policy and our objectives.

Diversity of the executive team

Diversity is integrated throughout our approach to talent management, which is highlighted on page 56 of our 2022 management proxy circular. We believe a stronger future relies on a pipeline of diverse leaders. We align our talent strategies and succession planning with our business strategies and leadership model and use metrics to ensure we are preparing a diverse talent pool for growth and future leadership roles. In our approach to succession planning, we assess, identify and develop executives and high-potential talent to build leadership capabilities with a goal to create a diverse group of leaders who will drive our performance.

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1 We may at times use different terminology to describe demographic groups. For example, throughout this document we will refer to Black, Indigenous and people of colour. This term recognizes the unique histories of racism that Black and Indigenous people have lived through. While the terminology originated in the United States, its meaning has significance worldwide. Similar acronyms are used in different regions; for example, BAME, which is commonly used in the UK, stands for Black, Asian and Minority Ethnic. Referring to Black, Indigenous and people of colour is not intended to be a catch-all as RBC recognizes that not all racialized people experience racism in the same way.
The representation of talent in executive and senior manager roles is a reflection of the diversity of our talent pipeline which drives better performance, stronger growth and greater innovation. We focus on accelerating the development of diverse leaders to strengthen our succession bench through a number of programs, including: Women in Leadership, Ignite, (our leadership program for individuals who identify as Black, Indigenous or people of colour) and RLaunch (a program for senior-level individuals who have been on a career break for longer than one year).

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. Recognizing that what gets measured gets managed, we set specific time-bound goals to increase the diversity of our leadership. We have been making progress on the representation of women in executive roles increasing from 38% to 44%, and executives who identify as Black, Indigenous or people of colour increasing from 16% to 23% since 2015. In 2020, we committed to tackle systemic racism and bias across three key pillars through our Actions Against Systemic Racism, one of which was Redefining Inclusive Leadership. As part of those commitments, our executive staffing goals for fiscal 2021 were 50% women and 30% Black, Indigenous or people of colour (up from 20%). In fiscal 2021, people who identify as women represented 41% of our new executive appointments and people who identify as Black, Indigenous or people of colour represented 43%. Our executive appointment goals are a key enabler for ensuring continued progress on representation. We enable leaders across our businesses to support staffing goals in a number of ways, such as building a strong pipeline to support diverse candidate slates and establishing programs to develop the skills, capabilities and experiences of our diverse talent across RBC. Additionally, at all levels, people who identify as women accounted for 54% of promotions in fiscal 2021, while people who identify as Black, Indigenous or people of colour represented 43%.

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; most importantly, the appropriate matching of business needs to drive long-term value for our stakeholders and the proven skills and capabilities of new appointees. As of the date of this document, 30% (3 out of 10) of the executive officers who make up the Group Executive identify as women.

The RBC Diversity Leadership Council, which is chaired by the CEO and comprises senior executives from across our businesses, promotes diversity and inclusion and oversees 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 through our diversity portal at rbc.com/diversity.

**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 the bank’s engagement with shareholders and stakeholders for alignment with best practices.

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

<table>
<thead>
<tr>
<th>Board of directors</th>
<th>Stakeholders can communicate with the directors or the board chair as described at rbc.com/governance.</th>
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<tbody>
<tr>
<td>Management</td>
<td>The CEO and other members of the Group Executive, senior management, Investor Relations, and the secretary meet regularly with financial analysts, investors and other stakeholders.</td>
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<tr>
<td>Investor Relations</td>
<td>Investor Relations is responsible for communicating with the investing public on behalf of RBC.</td>
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<tr>
<td>Live broadcasts</td>
<td>We broadcast our quarterly earnings calls with analysts live and archive them on our Investor Relations site for a period of three months after each call. Shareholders can also participate in our annual meeting via a live webcast, which is archived on our Investor Relations site until the next annual meeting.</td>
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Please see the back cover of our 2022 management proxy circular for the contact details of the board chair, secretary and Investor Relations.

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1 Represents data based on self-identification for our businesses in Canada governed by the Employment Equity Act.

2 “Promotions” are defined as upward change in position level or human resources class. The values included here exclude summer interns, students and co-ops. The values for women and men represent data from our global operations, while values for Black, Indigenous and people of colour represent data from our businesses in Canada and the United States.
Board independence

With the exception of our CEO, all 2022 director nominees are independent.

To be effective, the board must be independent. 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 also sets 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 and is available at 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 three 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 as a director (public or private), employee, advisor or consultant. The board chair and governance committee chair assess whether the director will have sufficient time and energy to devote to RBC responsibilities and evaluate potential circumstances that could impact independent thinking, including conflicts of interest.

<table>
<thead>
<tr>
<th>Board interlock policy</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service on public company audit committees</td>
<td>No member of the RBC audit committee may serve on an audit committee of more than two other public companies.</td>
</tr>
</tbody>
</table>
Maintaining independence
The board has established other important ways to maintain its independence.

<table>
<thead>
<tr>
<th>Access to management</th>
<th>All independent directors have unrestricted access to management and RBC employees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>External advisors</td>
<td>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.</td>
</tr>
<tr>
<td>In camera sessions</td>
<td>The board chair and committee chairs lead sessions without management to facilitate open and candid discussion among the directors.</td>
</tr>
</tbody>
</table>

In fiscal 2021, all board and regularly scheduled committee meetings except for one committee meeting had an in camera session without management.

Nominating, developing and evaluating board members
Finding the right director candidates

We regularly engage independent search firms to help identify high-potential candidates.

The board derives its strength from the diversity, competencies, skills and experience of its members.

The governance committee oversees board renewal and nominates directors for election to the board. Fundamental to the committee's purpose is to build a board that is composed of directors who possess the talent and experience to support the future strategic objectives of RBC, with strong risk discipline in the context of a rapidly changing and increasingly competitive global marketplace and evolving regulatory landscape. The committee reviews board composition and any anticipated board vacancies through the lens of the Board Diversity Policy. RBC shareholders elect the directors at each annual meeting to serve until the next annual meeting.

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 committee maintains a matrix (see page 21 of our 2022 management proxy circular) indicating the major competencies and major 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.
Finding the right director candidates

Identified by:
- search firms
- directors
- management
- shareholders
- individuals and other stakeholders

- consider future strategic objectives and risk
- reference skills matrix
- consider diversity
- assess qualifications
- review independence
- check conflicts
- interview process

Governance committee recommends
board approves
shareholders elect

5 new directors since 2017

How to submit a nomination

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Shareholders may submit candidates to the board chair.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal under the Bank Act</td>
<td>In accordance with the Bank Act, qualifying shareholders may submit a formal proposal to nominate an individual for director.</td>
</tr>
<tr>
<td>Nomination under the Proxy Access Policy</td>
<td>The RBC Proxy Access Policy provides an additional way for shareholders to submit director nominations and can be found at rbc.com/governance.</td>
</tr>
<tr>
<td>Individuals and other stakeholders</td>
<td>Individuals and other stakeholders may also submit candidates to the board chair.</td>
</tr>
</tbody>
</table>

Contact information can be found on the back cover of our 2022 management proxy 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.

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.

To best support the bank in achieving its purpose of helping clients thrive and communities prosper, all director nominees are required to have experience in environmental, social or governance matters. They must also share a commitment to the RBC values of integrity, putting the client first, diversity and inclusion, accountability and collaboration.

Our director effectiveness framework lays out the skills, commitment and conduct we expect from new and current directors (see page 18 for more on this). In line with our Board Diversity Policy and our commitment to further improve diversity among board members, the governance committee also considers other important factors such as gender and non-gender diversity, ethnicity, race, ancestral origin, age, geography, background, sexual orientation, and other dimensions of diversity. In particular, it considers the level of representation of women, Black, Indigenous and people of colour and other underrepresented groups when considering candidates to nominate.
Board size considerations

This year, 13 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 skills, 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 determination of its optimal 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
- achieve ongoing board renewal.

<table>
<thead>
<tr>
<th>Directors*</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board chair</td>
<td>The board chair’s term is eight years.</td>
</tr>
<tr>
<td>Committee chairs</td>
<td>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.</td>
</tr>
</tbody>
</table>

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

The board, upon the recommendation of the governance committee, may waive the term and/or age limits for a director, the board chair or a committee chair. In light of the ongoing COVID-19 crisis, the board approved the extension of the board chair’s tenure by one year until the 2023 annual meeting and the extension of the risk committee chair’s tenure until the 2022 annual meeting.

Term limits do not take precedence over our annual director effectiveness evaluation. Nominations for re-election as director 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 their 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 and make valuable contributions to the board and RBC.

Our principles-based approach reflects three key pillars to facilitate an agile and adaptive board, each of which proved to be still very relevant in 2021 as we continue to adapt to the unpredictable circumstances of the COVID-19 pandemic.

Our principles-based approach to director development

**Orientation and onboarding**

- In-depth orientation guide covering our governance principles and policies including our Code of Conduct and Director Independence Policy
- Strategic and business deep-dives with members of the Group Executive and senior management
- 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
- Attendance at committee meetings even if a director is not a member
- Committee chair orientation with executive sponsors and the secretary

**Integration**

- Mentorship program matching new directors with experienced members
- One-on-one meetings with the board chair and committee chairs to enhance their understanding of the board’s culture and dynamics
- Ongoing engagement with members of the Group Executive and senior management to deepen knowledge of our strategic objectives and foster open dialogue and constructive relationships

**Personal development**

- Education sessions and materials:
  - presentations by senior executives on various topics including specialized and complex aspects of our businesses and operations
  - RBC Speaker Series, where external guest speakers provide insights on a variety of topics, including the economic and political landscape as well as emerging industry, regulatory and market trends
  - areas of shared concern or oversight covered in joint educational sessions across committees
  - daily and weekly media updates and investor relations reports on key topics, the bank’s media presence and market trends
  - regular updates about educational opportunities outside RBC

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

- 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.)
Focus on continuous education

With ongoing uncertainty of the COVID-19 pandemic in 2021, the board and management remained focused on the key issues impacting RBC as well as our clients, employees, shareholders, communities and other stakeholders. There was a coordinated approach to education across the board and its committees organized around the themes of market, macroeconomic, technological and digital, environmental, social and governance; and regulatory matters. Although the board did not travel and participate in tours of our operations in 2021, directors nevertheless attended several virtual talent events with employees throughout the year and received presentations from teams from key regions in Canada and the U.S.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Education presentations</th>
<th>Attendance</th>
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<tbody>
<tr>
<td>Q1 2021</td>
<td>Results of the U.S. Election and Implications to Canada</td>
<td>Board</td>
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<tr>
<td></td>
<td>Cyber Security Annual Update: The Threat and Regulatory Landscape</td>
<td>Board</td>
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<td></td>
<td>Interbank Offered Rate (IBOR) Transition Key Impacts and Activities</td>
<td>Audit</td>
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<td>Q2 2021</td>
<td>Artificial Intelligence: Risk Considerations and Group Risk Management Oversight</td>
<td>Board</td>
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<td></td>
<td>Deeper Dive on Key Canadian Banking Regions</td>
<td>Board</td>
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<td></td>
<td>Panel Discussion – The Biden Administration Plans and the Impact to Canada</td>
<td>Board</td>
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<td>The Power of Data and How it Impacts RBC</td>
<td>Audit</td>
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<td></td>
<td>Fair Value of Financial Instruments: Principles, Governance and Upcoming Changes in the Market Landscape</td>
<td>Governance</td>
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<td>Behavioural Science in Audit: What it is and How it Applies to Audit</td>
<td>Audit</td>
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<td>Digital Trust and Resilience: Building Trust in Cloud and Third Parties and Shifting to a Resilient Mindset</td>
<td>Governance</td>
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<td></td>
<td>Environmental, Social and Governance Landscape</td>
<td>Risk</td>
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<td></td>
<td>RBC Insurance Through a Risk Lens: Longevity Business</td>
<td>Risk</td>
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<td>Wealth Management Canada Through a Risk Lens</td>
<td>Risk</td>
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<td>Capital Markets Through a Risk Lens</td>
<td>Risk</td>
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<tr>
<td>Q3 2021</td>
<td>Misleading Advertising by “Influencers”: Best practices for directors</td>
<td>Board</td>
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<td></td>
<td>Corporate Governance Update</td>
<td>Governance</td>
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<td>Implementation of the New Financial Consumer Protection Framework</td>
<td>Governance</td>
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<td>Regulatory and Government Affairs Update</td>
<td>Governance</td>
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<td></td>
<td>Future of Work Strategy, including Focus on Hybrid Work</td>
<td>HR</td>
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<td></td>
<td>Canadian Banking Personal Lending Portfolio Through a Risk Lens</td>
<td>Risk</td>
</tr>
<tr>
<td>Q4 2021</td>
<td>Analyst Perspective on Big Tech: Disruption, approach and progress</td>
<td>Board</td>
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<tr>
<td></td>
<td>Global Context on Climate and Considerations for Boards</td>
<td>Board</td>
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<tr>
<td></td>
<td>Investor Perspective on the Road Ahead for RBC</td>
<td>Audit</td>
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<td></td>
<td>Macroeconomic Trends: Three Top of Mind Concerns for Organizations and CEOs</td>
<td>HR</td>
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<tr>
<td></td>
<td>Leadership Strategy Update, including Focus on Diverse and Inclusive Leadership</td>
<td>Risk</td>
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<td></td>
<td>Counterparty Credit Risk</td>
<td>Risk</td>
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<td></td>
<td>IBOR Transition Program Interest Rate Benchmark Reform</td>
<td>Risk</td>
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<td></td>
<td>Leveraged Lending</td>
<td>Risk</td>
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<td></td>
<td>Third Party Resiliency and Supply Chain Attacks</td>
<td>Risk</td>
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<td></td>
<td>RBC Speaker Series presentation</td>
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</table>
Evaluating the board, committees, chairs and directors

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 as well as a self-assessment 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.

In 2021, we retained a new independent consultant to provide fresh perspectives and insights on assessing our effectiveness as a board and as directors

Director effectiveness

<table>
<thead>
<tr>
<th>DEDICATION</th>
<th>ENGAGEMENT</th>
<th>INTEGRITY</th>
<th>BUSINESS ACUMEN</th>
<th>STRATEGIC ORIENTATION</th>
<th>COURAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prioritizes the needs of RBC</td>
<td>• Engages fully and makes a meaningful contribution at all meetings</td>
<td>• Works for the greater good of RBC</td>
<td>• Focuses on the right performance outcomes</td>
<td>• Discusses pros and cons of future growth strategies</td>
<td>• Appropriately challenges the status quo</td>
</tr>
<tr>
<td>• Commits fully to the accountability and success of the board</td>
<td>• Actively promotes collegiality</td>
<td>• Demonstrates high ethical standards</td>
<td>• Balances short-, medium and long-term objectives</td>
<td>• Assesses global opportunities for alignment with RBC strategy</td>
<td>• Can make tough decisions</td>
</tr>
<tr>
<td>• Seeks to continuously improve and raise the bar</td>
<td>• Considers the input of others and provides thoughtful advice</td>
<td>• Upholds RBC values</td>
<td>• Exhibits sound judgement and thoughtfully balances trade-offs</td>
<td>• Champions change and encourages diversity</td>
<td></td>
</tr>
</tbody>
</table>

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 assessment and reflects the director’s commitment to improvement at a board and individual level. In 2021, the effectiveness framework was amended to better reflect the directors’ commitment to diversity.

Annual evaluations

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 board chair and committee chairs 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 each director.

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 members of the Group Executive and senior management.

Each independent director completes a personal and peer review.

An independent consultant analyzes the feedback and peer reviews 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 also reviews the committee chair reports.

The board chair reviews the independent director peer reviews with each director. The governance committee chair reviews the board chair’s performance assessment and individual peer reviews with the board chair.

Priorities and action plans are developed for the board and committees as well as the committee chairs and 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 compensation that is fair and positions RBC to attract highly qualified directors, and
- 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) of similar size, complexity and geographic scope to RBC. It also considers a broader reference group of U.S. and international financial institutions of similar size, complexity, business mix, scale of operations outside their home country, and financial condition.

## Canadian comparator group

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Non-financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bank of Montreal</td>
<td>• BCE</td>
</tr>
<tr>
<td>• Bank of Nova Scotia</td>
<td>• Canadian National Railway</td>
</tr>
<tr>
<td>• Canadian Imperial Bank of Commerce</td>
<td>• Enbridge</td>
</tr>
<tr>
<td>• Manulife Financial</td>
<td>• Nutrien</td>
</tr>
<tr>
<td>• Sun Life Financial</td>
<td>• Suncor Energy</td>
</tr>
<tr>
<td>• Toronto-Dominion Bank</td>
<td>• TC Energy</td>
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</tbody>
</table>

## U.S. and international reference group

<table>
<thead>
<tr>
<th>U.S. financial institutions</th>
<th>International financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bank of America</td>
<td>• ANZ Banking Group</td>
</tr>
<tr>
<td>• Citigroup</td>
<td>• Commonwealth Bank of Australia</td>
</tr>
<tr>
<td>• JPMorgan Chase &amp; Co.</td>
<td>• National Australia Bank</td>
</tr>
<tr>
<td>• PNC Financial</td>
<td>• Westpac Banking Corporation</td>
</tr>
<tr>
<td>• U.S. Bancorp</td>
<td></td>
</tr>
<tr>
<td>• Wells Fargo &amp; Company</td>
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</tbody>
</table>

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 2021, RBC directors were compensated as follows:

<table>
<thead>
<tr>
<th>Annual retainers</th>
<th>($)</th>
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</thead>
<tbody>
<tr>
<td>Director</td>
<td>300,000</td>
</tr>
<tr>
<td>Board chair</td>
<td>275,000</td>
</tr>
<tr>
<td>Committee chair</td>
<td>50,000</td>
</tr>
</tbody>
</table>

David McKay, as President and Chief Executive Officer (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 are no changes recommended or approved for 2022.

Alignment of director and shareholder interests

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

1. Equity ownership requirement

Directors are required to own RBC equity with a total aggregate value of at least $1,200,000 or four times the total director retainer within five years of joining the board. 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 or DDSUs). DDSUs are notional units that have the same value as RBC 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 60% ($180,000 in fiscal 2021) of their annual director 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 director retainer is paid in shares. Shares are purchased at market price. Directors may invest up to 100% of the cash portion of their annual director retainer in either DDSUs or shares. Directors cannot sell shares purchased with the equity portion of their annual director retainer or redeem any DDSUs until they retire from the board.

The board chair must also invest at least 40% ($110,000 in fiscal 2021) of the annual board chair retainer in either RBC common shares or DDSUs. The board chair cannot sell shares purchased with the equity portion of the annual director or board chair retainers or redeem any DDSUs until retirement 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),
- directly or indirectly buy or sell a call or put on RBC securities, 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. Chisholm serves on the board of RBC US Group Holdings LLC, our U.S. intermediate holding company. During fiscal 2021, Mr. Chisholm was paid a director retainer of US$135,000 and received his compensation in DDSUs.