Royal Bank of Canada

Statement of Corporate Governance Practices
(as of February 7, 2023)
Caution regarding forward-looking statements

From time to time, Royal Bank of Canada and its subsidiaries (RBC, bank, we, us or our) make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. We may make forward-looking statements in this Statement of Corporate Governance Practices (document), in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders, and in other communications. Forward-looking statements in this document include, but are not limited to, statements relating to our approach to compensation, our approach to managing environmental, social and governance (ESG) matters, including our goals with respect to diversity and inclusion as well as our climate- and sustainability-related beliefs, targets and goals (including our net-zero and sustainable finance commitments). The forward-looking information contained in this document is presented for the purpose of assisting our stakeholders in understanding our vision, commitments, goals and targets, as well as the ways we intend to address ESG matters, and may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as “believe”, “expect”, “expectation”, “aim”, “achieve”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “strive”, “commit”, “target”, “objective”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “might”, “should”, “could” or “would”.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct, that our environmental and social or other objectives, vision and strategic goals will not be achieved, and that our actual results may differ materially from such predictions, forecasts, projections, expectations or conclusions.

We caution readers not to place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include: our ability to gather and verify data, our ability to successfully implement various initiatives throughout the bank under expected time frames, the risk that initiatives will not be completed within a specified period or at all or with the results or outcome as originally expected or anticipated by the bank, the compliance of various third parties with agreements, our policies and procedures and their commitments to us, regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties and fines), strategic, reputation, competitive, model, legal and regulatory environment, and systemic risks and other risks discussed in the risk sections of our annual report for the year ended October 31, 2022 (2022 annual report) and the Risk management section of our quarterly report for the three-month period ended January 31, 2023 (Q1 2023 report to shareholders). Additional factors that could cause actual results to differ materially from the expectations in such forward-looking statements can be found in the risk sections of our 2022 annual report.

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the Economic, market and regulatory review and outlook section and for each business segment under the Strategic priorities and Outlook headings in our 2022 annual report, as updated by the Economic, market and regulatory review and outlook section of our Q1 2023 report to shareholders. Except as required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these and other factors can be found in the risk sections of our 2022 annual report and in the Risk management section of our Q1 2023 report to shareholders.

Important notice regarding this Statement of Corporate Governance Practices

This Statement provides information about a number of RBC’s ESG-related (including climate-related) commitments.

RBC’s commitment to achieving net-zero emissions in our lending by 2050 is not inclusive of the activities of and the assets under management by RBC Global Asset Management (RBC GAM)1 and RBC Wealth Management (RBC WM)2.

RBC’s initial 2030 interim emissions reduction targets were set for lending in three key sectors: oil and gas, power generation and automotive (interim targets). The methodology used for setting these interim targets excludes the practices of RBC GAM and RBC WM.

RBC’s commitment to provide $500 billion in sustainable finance by 2025 includes financial activities that take into account environmental, social and governance factors. The measurement of our sustainable finance activities under the RBC Sustainable Finance Framework currently excludes the practices of RBC GAM, RBC WM, Citibank National Bank and Brewin Dolphin Holdings PLC and its subsidiaries. See our Sustainable Finance Framework (available at rbc.com/environment) for more information.

1 RBC GAM includes, but is not limited to, the following wholly owned indirect subsidiaries of Royal Bank of Canada: RBC Global Asset Management Inc. (including Phillips, Hager & North Investment Management), RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Global Asset Management (Asia) Limited and BlueBay Asset Management LLP.

2 RBC WM includes, but is not limited to, the following affiliates: (a) RBC Dominion Securities Inc. (Member – Canadian Investor Protection Fund), RBC Direct Investing Inc. (Member – Canadian Investor Protection Fund), Royal Mutual Funds Inc., RBC Wealth Management Financial Services Inc., Royal Trust Corporation of Canada and The Royal Trust Company, which are separate but affiliated subsidiaries of the Bank; and (b) Brewin Dolphin Holdings PLC and its subsidiaries.
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The information in this document is as of February 7, 2023. All dollar amounts are in Canadian dollars, unless stated otherwise.

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

All references to websites are for your information only. The content of any websites referred to in this circular, including via website link, and any other websites they refer to are not incorporated by reference in, and do not form 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 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 with integrity. 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 the 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 (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.
Role of the governance committee
The governance committee oversees board renewal and nominates directors for election or re-election (see pages 16 and 17 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, and most 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, our independent board chair will retire at the close of the 2023 annual and special meeting of common shareholders.

Jacynthe Côté will be appointed the new independent board chair effective upon her re-election as director at the meeting.

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 page 21) 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

<table>
<thead>
<tr>
<th>Culture and conduct</th>
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<tbody>
<tr>
<td>• Establish the tone from above and champion RBC values, as set out in our Code of Conduct</td>
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<tr>
<td>• Set and expect the highest standards of conduct and integrity at RBC to build and maintain the trust of our clients, shareholders, employees and communities we serve</td>
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<tr>
<td>• 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</td>
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<tr>
<th>Strategic planning</th>
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<tr>
<td>• Oversee our strategic direction, plans and priorities and ensure they align with our risk appetite</td>
</tr>
<tr>
<td>• Discuss and challenge management in setting enterprise strategy and monitor its implementation and effectiveness</td>
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<tr>
<td>• Annually approve the strategic plan, taking into account the opportunities and risks of our businesses</td>
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<tr>
<td>• Approve our financial objectives and operating plans, including significant capital allocations, expenditures and transactions that exceed delegated authorities</td>
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<tr>
<td>• Review and approve the RBC organizational structure</td>
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<tr>
<td>• Review the results of the annual assessment of business performance</td>
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<th>Risk management</th>
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<tr>
<td>• Oversee and approve our risk appetite framework</td>
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<td>• Oversee strategic risk management by approving risk management frameworks and policies</td>
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<tr>
<td>• Promote a strong risk culture and monitor that conduct adheres to the enterprise-wide risk management framework</td>
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<tr>
<td>• Meet with regulators, including to discuss our risk appetite and control environment</td>
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<tr>
<th>Financial reporting and internal controls</th>
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<tbody>
<tr>
<td>• Approve the quarterly and annual financial reports</td>
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<tr>
<td>• Oversee compliance with applicable audit, accounting, financial reporting, legal and regulatory requirements</td>
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<tr>
<td>• Oversee the qualifications, performance and independence of the external auditors and the performance of the internal audit function</td>
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<tr>
<td>• Monitor the implementation and maintenance of effective internal control systems, including management information systems, and assess their adequacy and effectiveness</td>
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<tr>
<th>Talent management and succession planning</th>
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<tr>
<td>• Supervise succession planning processes, which include the selection, appointment and development of the CEO and senior management team, including the Group Executive</td>
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<tr>
<td>• Evaluate and approve the compensation of the CEO, Group Executive and senior management team in a manner consistent with prudential incentives</td>
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<tr>
<td>• Annually review and approve the CEO’s mandate</td>
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<tr>
<td>• Review strategies and programs for the assessment and development of talent and for increasing diversity and inclusion at all levels of the organization</td>
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<tr>
<th>Environmental and social</th>
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<tr>
<td>• Oversee the bank’s approach to environmental and social (E&amp;S) matters, including the bank’s corporate citizenship and ESG strategic priorities, its management of E&amp;S risks and opportunities, and how we conduct our business to meet high standards of E&amp;S responsibility</td>
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<tr>
<td>• Review and approve our enterprise climate strategy, the RBC Climate Blueprint, and assess progress against it</td>
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<tr>
<td>• Oversee the bank’s key E&amp;S disclosures, including the ESG Performance Report and the Climate Report</td>
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<th>Governance</th>
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<tr>
<td>• Establish appropriate structures and procedures to allow the board to function effectively and independently</td>
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<tr>
<td>• Develop and implement corporate governance principles and guidelines</td>
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<tr>
<td>• Monitor best governance practices</td>
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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 RBC 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 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 for our clients, employees, communities we serve and shareholders. 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 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](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 2022.

**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](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 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 matters
Creating long-term, sustainable value

RBC has a long history of supporting environmental, social and governance (ESG) causes and initiatives. From the days of RBC’s first community investment in 1891, we have been active in the communities where we live and work, including being engaged in important issues relevant to society. Over the last 20 years, we have accelerated our focus on ESG with the goal of creating long-term, sustainable value for our stakeholders.

<table>
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<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2003</td>
<td>Became first Canadian bank to adopt the Equator Principles on environmental and social risk.</td>
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<tr>
<td>2007</td>
<td>Launched the RBC Environmental Blueprint® to cover RBC’s environmental policy, priorities, and objectives.</td>
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<tr>
<td>2010</td>
<td>Received the Catalyst Award, an annual global award given to companies with an exceptional commitment to women and minorities.</td>
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<tr>
<td>2017</td>
<td>Committed $500 million by 2025 to prepare 3 million youth for the future of work. Become carbon neutral in our own operations.</td>
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<tr>
<td>2019</td>
<td>Announced commitment of $100 billion in sustainable finance by 2025. Established Sustainable Finance Group and issued inaugural green bond.</td>
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<tr>
<td>2021</td>
<td>Increased RBC’s commitment to $500 billion in sustainable finance by 2025. Joined the Net-Zero Banking Alliance and committed to net-zero emissions in lending by 2050.</td>
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Our 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 diverse stakeholder groups.

Employees
Recognizing the positive impact employees make at RBC and also for our clients and communities we serve, we attract, develop and retain the right talent through learning and growth opportunities, and creating a diverse and inclusive culture.

Shareholders
We enhance shareholder value through our financial performance - a robust capital position, balance sheet and credit ratings which reflects our strong governance - a culture that influences RBC at every level and across all our global businesses.

Clients
We provide products, services, and advice to support the unique and evolving needs and expectations of our clients. This includes delivering meaningful advice and solutions, working with strategic partners to amplify value, and accelerating our focus on innovation and digital strategies.

Communities
We strive to create positive social and economic impact in the communities where we live and work. From disaster relief to mental health to diversity and inclusion, we play an important role in helping those who need it most.

Planet
Through our enterprise climate strategy, the RBC Climate Blueprint, we are accelerating the pace of climate action by helping our clients’ transition to net-zero; holding ourselves accountable by setting targets and measuring progress; informing and inspiring action by sharing ideas and insights and supporting innovation; and advancing net-zero leadership in our own operations.

1 Includes contributions to non-profits or non-registered charities, employee volunteer grants, community-benefiting program costs and gifts in kind. Figure does not include brand sponsorships.
2 Since program inception in 2019.
A purpose-driven approach to business
We take a disciplined approach to defining our ESG strategic priorities and signature programs, taking into account the drivers of economic prosperity and the forces of change that affect those we serve.

RBC is working to build a more inclusive, sustainable and prosperous future. We do so by harnessing the power of our Purpose: Helping clients thrive and communities prosper, and by tackling some of society’s greatest challenges in the communities where we live and work.

In 2022, we focused on advancing our four ESG strategic priorities: climate change, diversity and inclusion, youth success and financial wellbeing. These strategic priorities were chosen based on our ability to make an impact through what we do, what we offer, and what we influence.

We measure the impact of our ESG strategic priorities and signature programs to inform our programming decisions and shape our overarching strategy. We work with our partners, focusing efforts on meaningful and impactful opportunities. We leverage our ‘more-than-money’ levers such as thought leadership, the power to connect and convene, and the expertise and involvement of our employees to advance our work.

Finally, in addition to our four strategic priorities there are many other ESG focus areas that touch our business and communities. We continue to manage and monitor our performance including in these ESG areas that fall outside of our ESG strategic priorities and signature programs.

Environment
Climate change presents a significant challenge that is impacting communities globally. Achieving net-zero greenhouse gas (GHG) emissions by 2050 requires one of the largest economic transformations in generations. Significant policy action, innovation, and capital are needed and RBC is committed to working alongside governments, businesses and individuals to facilitate meaningful progress towards net-zero.

In 2022, RBC:
• Continued to deliver advice, products and solutions to our clients to support their transition to net-zero and the advancement of their ESG priorities
• Released our Sustainable Finance Framework¹, which defines our approach and methodology to classify, track and disclose our performance towards our commitment to provide $500 billion in sustainable finance by 2025
• Delivered a key milestone in our commitment to achieving net-zero emissions in our lending portfolio by 2050 with the release of our initial 2030 interim emissions reduction targets for lending in three key sectors: oil and gas, power generation and automotive
• Provided over $12 million in 2022 to over 100 organizations through RBC Tech for Nature. Since 2019, 550+ organizations have benefitted from $39+ million in community investments towards RBC’s $100 million commitment by 2025
• Signed our second long-term renewable energy Power Purchase Agreement, advancing our goals to reduce emissions from our global operations by 70%² and to source 100% of our electricity from renewable and non-emitting sources, both by 2025

¹ Sustainable finance refers to financial activities that take into account environmental, social and governance factors.
² Inclusive of our global operations, Scope 1, 2 (market-based) and 3 (business travel) reported GHG emissions, using a baseline of 2018. Our GHG emissions reporting for fiscal 2022 does not reflect Brewin Dolphin Holdings PLC and its subsidiaries.
Social
We are committed to diversity and inclusion, within our own operations, for our employees, 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 the communities we serve to thrive.

In 2022, RBC:

- Established an enhanced Diversity and Inclusion Strategic Roadmap 2025 to create specific and measurable value for colleagues, clients, communities and shareholders with a focus on advancing diversity, strengthening inclusion, and enabling economic inclusion

- Provided $154+ million globally through donations and community investments, including nearly $1.9 million to support humanitarian relief efforts in Ukraine and Pakistan, natural disaster response efforts in Canada and in the U.S., and in response to local tragedies. As signatories to Imagine Canada’s Caring Company Program, we invest a minimum of 1% of our domestic net income before income taxes in support of charitable and non-profit initiatives in Canada

- Committed to achieving a community investment target of 1% of net income before taxes (based on a 5-year rolling average) in RBC core markets (Canada, U.S., U.K., and Europe) by 2025

- Provided $65+ million through RBC Future Launch®. Since 2017, the bank has provided $331+ million to RBC Future Launch reaching 5.3 million Canadian youth through 840+ partner programs

- As part of our broader five-year, $100 million commitment made in 2020 to support the path to prosperity and growth of Black entrepreneurs, we continued to drive the Black Entrepreneur Business Loan, supporting Black entrepreneurs as they start, manage and grow their businesses in Canada

- Offered more than 40 solutions around financial wellbeing and inclusion, either directly or through partners that target different needs. These efforts are further tailored to specific demographics, including, but not limited to, seniors, women, persons with disabilities, youth and young adults, Indigenous Peoples, and newcomers

- For RBC employees, advanced our culture of diversity and inclusion, including women and Black, Indigenous and people of colour representing 43% and 31% of new executive appointments, respectively, in fiscal 2022

- Announced a $200 million investment in our employees, including a mid-year 3% salary increase for certain employees², enhancements to our defined contribution pension plan and a greater level of family planning benefits for employees in Canada, and more support for career development as well as flexible work arrangements for all employees globally

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

In 2022, RBC:

- Updated our Enterprise Policy on Environmental (including Climate) and Social Risk to reflect our enhanced climate commitments and objectives as well as the strategic choices we are already making towards these goals, and outlined our principles-based approach to managing climate risk

- In line with the expectations of the United Nations Guiding Principles, we conducted human rights salience assessments for our major business lines and functions to better understand how our business activities could potentially impact the human rights of our stakeholders. Based on the results, we identified key salient risks, and we reviewed our policies to assess how we manage those risks

- Established a climate performance and reporting forum (composed of senior executives across the enterprise) to provide advice and governance over key topics related to RBC’s climate strategy, including our initial 2030 interim emissions reduction targets and related disclosure processes

- Conducted an internal audit of the 2021 ESG Performance Report

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¹ 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, 2021 to October 31, 2022. Figure does not include brand sponsorships.

² Includes employees in Global Grade 09 to 12 positions.
ESG governance and oversight model
ESG factors are integrated into our business strategies, risk management practices, and operations, allowing us to respond to the issues that matter most to our stakeholders and our business. Our ESG governance model balances the board and its committees’ oversight of ESG matters with subject-matter expertise, rooted within functions and business units across the bank.

The model below depicts the organizational structure for the governance of ESG matters at RBC:

**Board governance of ESG**
The board and its committees provide oversight of the bank’s strategic approach to ESG matters, including climate change with specific subject-matter expertise, groups and functions responsible for relevant programs, products, policies and performance rooted within the business units across the bank.

<table>
<thead>
<tr>
<th>Board</th>
<th>Governance committee</th>
<th>Risk committee</th>
<th>Audit committee</th>
<th>Human resources committee</th>
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<tr>
<td>Board</td>
<td>Responsible for the bank’s business plan, strategy, risk appetite and culture. It oversees our strategic approach to climate change, which includes how we manage climate-related risks and opportunities, our enterprise approach to social matters including diversity and inclusion and corporate citizenship, and our governance structure, principles and guidelines.</td>
<td>Oversees significant and emerging risks to the bank, including E&amp;S risks. Each year, it recommends for board approval our Enterprise Risk Appetite Framework, which requires consideration of E&amp;S risks when making risk management decisions.</td>
<td>Oversees the bank’s financial reporting, internal controls over financial reporting and disclosure controls and procedures, including the E&amp;S risk-related disclosures (including climate change) in the bank’s annual report.</td>
<td>Oversees the bank’s compensation principles, policies and programs. Recommends for board approval, CEO and Group Executive compensation, including short-term incentives, which considers environmental sustainability, and social and governance results, and mid- and long-term incentives, which will include a medium-term climate objective based on progress against the strategic priorities of the RBC Climate Blueprint starting in fiscal 2023. Responsible for talent management and human resources strategies including diversity and inclusion and health and wellness.</td>
</tr>
</tbody>
</table>
Spotlight on key 2022 ESG highlights at the board and its committees

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

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance of E&amp;S</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Board approved the RBC Climate Blueprint</td>
<td>✓ Board engaged with management on the refreshed diversity and inclusion strategy for employees, clients and the communities we serve</td>
<td>✓ Board approved our Enterprise Risk Appetite Framework, which requires consideration of E&amp;S risks</td>
</tr>
<tr>
<td>✓ Board participated in an education session on understanding the measurement of financed emissions, climate scenario analysis, and the journey to net-zero</td>
<td>✓ Governance committee received annual update on our corporate citizenship strategy and community investments and approved the global donations budget</td>
<td>✓ Board approved our Code of Conduct and governance committee received regular reporting on culture and conduct including reputation risk</td>
</tr>
<tr>
<td>✓ Board engaged with management on guiding principles and process in setting RBC’s initial 2030 interim emissions reduction targets for lending and related disclosures</td>
<td>✓ Governance committee approved the 2021 Diversity &amp; Inclusion Report</td>
<td>✓ Reporting to risk committee on changes to enterprise policy on E&amp;S risk that reflect our enterprise-wide approach to managing E&amp;S risks, including climate</td>
</tr>
<tr>
<td>✓ Board engaged with management on climate-related developments in the U.K. and Europe with a focus on the evolving regulatory and reporting landscape, as well as the bank’s climate initiatives in the region</td>
<td>✓ Our 2021 U.K. and Australian Modern Slavery Act Statement was approved by the governance committee</td>
<td>✓ Governance committee approved the 2021 ESG Performance Report</td>
</tr>
<tr>
<td>✓ Risk committee held discussions on the evolving climate risk landscape and trends and regulatory developments, and the bank’s actions in response</td>
<td>✓ Reporting to the risk committee on human rights risks and integration into the bank’s risk management framework</td>
<td>✓ Governance committee reviewed and considered emerging perspectives on board oversight of ESG by boards and discussed stakeholder engagement including the board’s response to ESG-related shareholder proposals</td>
</tr>
<tr>
<td>✓ Results of annual stress testing, which included climate-related physical and transition climate risk events, were discussed with the audit and risk committees</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>✓ To promote a coordinated approach, the governance, audit and risk committees met jointly to discuss the bank’s purpose-driven approach to ESG including climate, and governance and controls around ESG reporting</td>
</tr>
<tr>
<td>✓ The 2021 Task Force on Climate-related Financial Disclosures (TCFD) Report was approved by the governance committee</td>
<td>✓ Results of the 2022 Employee Engagement Survey and pulse survey presented to the human resources committee</td>
<td>✓ Approved CEO and Group Executive (GE) compensation, which considered environmental sustainability, and social and governance practices, as part of the evaluation of their performance against risk and strategic objectives in the bank’s short-term incentive program</td>
</tr>
<tr>
<td>✓ Periodic 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></td>
<td>✓ For fiscal 2023, the board approved the inclusion of a medium-term climate-based objective related to progress against the strategic priorities of the RBC Climate Blueprint in the CEO and GE mid- and long-term incentive program</td>
</tr>
<tr>
<td>✓ Audit committee received updates on the evolving ESG disclosure landscape, including regulatory and standard-setting developments, and the bank’s advocacy actions in response</td>
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</table>

ESG rankings and ratings

RBC has strong performance in ESG rankings and ratings, based on our 86.5 average percentile ranking and rating compiled from our priority ESG rating agencies and indices.

Executive compensation program

As more fully described on pages 76 and 80 to 82 of our 2023 management proxy circular, our executive compensation program rewards executives for successfully executing on the bank’s strategy, which includes ESG strategic priorities.

For more information about our approach to ESG matters, please see our 2022 ESG Performance Report, Climate Report and Public Accountability Statement.

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1 Includes ratings and rankings for Sustainalytics, MSCI, FTSE4Good, and S&P Global’s Corporate Sustainability Assessment (informing the DJSI) reflecting the most recent scores as of February 7, 2023. The ESG rankings and ratings market is evolving and is not currently regulated in Canada or the U.S. ESG rating agencies and indices may use different data, metrics, models and/or methodologies. ESG ranking and ratings are not necessarily comparable, and those given to RBC are for information only. Investors and other stakeholders should carefully consider the foregoing factors and other uncertainties when reviewing these rankings and ratings.
Diversity and inclusion in action

Diversity and inclusion is a core value at RBC. Our vision is to be among the most inclusive companies, putting diversity into action to help employees, clients and communities thrive. To support that vision, we are committed to diversity and inclusion and seek to be 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 serve. We also seek to attract, develop and retain the right 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

Balanced and diverse representation is critical to successful board oversight. We firmly believe that the board should reflect the diversity of our clients, employees, shareholders and the communities we serve. We are proud of the leadership role we play in promoting board gender diversity in corporate Canada. Although we have made progress, we recognize that we need to continue to increase the representation of people who identify as Black, Indigenous and people of colour as well as members of other historically underrepresented groups among our board members.

To help achieve our diversity objectives, the board has approved a Board Diversity Policy which states 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.

When identifying and nominating director candidates, the governance committee considers representation of women, Black, Indigenous and people of colour and other historically underrepresented groups.

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. The governance committee regularly engages independent search firms to help identify high-priority candidates with specific skills, competencies or attributes, including diversity as set out in the Board Diversity Policy.
Diversity of the executive team

Diversity is integrated in our approach to talent management, which is highlighted on page 62 of our 2023 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 we assess, identify and develop executives and high-priority talent to build leadership capabilities with a goal to create a diverse group of leaders who will drive our performance.

The representation of talent in executive and senior management 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 talent pipeline 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 representation when identifying development opportunities for our high-priority 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. 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 to accelerate the diversity of our leadership for senior executive roles. Under this pillar, we committed to increase our staffing goals for Black, Indigenous and people of colour executives from 20% to 30% with a focus on Black and Indigenous representation. In 2022, we surpassed this goal as 31% of new executive appointments identified as Black, Indigenous or people of colour. We have been making progress on the representation of diversity in leadership: since 2015 the percentage of individuals who identify as Black, Indigenous and people of colour has increased from 16% to 23% and the percentage of people of colour. We have been making progress on the representation of diversity in leadership: since 2015 the percentage of individuals who identify as Black, Indigenous and people of colour has increased from 16% to 23% and the percentage of people of colour has increased from 38% to 42%.

Our executive appointment goals are a key enabler for driving 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 53% of promotions in fiscal 2022, while people who identify as Black, Indigenous or people of colour represented 43%.

As of the date of our 2023 management proxy circular, 30% (3 out of 10) of the executive officers who make up the Group Executive identify as women. 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, we do not establish specific diversity targets at the Group Executive level.

In 2022, the Board reviewed a refreshed diversity and inclusion strategy, the Diversity and Inclusion Roadmap 2025, that serves both colleagues and communities with, for instance, a focus on improving representation in leadership at all levels and influencing equitable access to financial products and services.

The RBC Diversity Leadership Council, which is chaired by the CEO and comprises senior executives from across our enterprise, 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, our clients and the communities we serve to have meaningful conversations through our diversity portal at rbc.com/diversity.

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1 Hires includes new external hires and rehires excluding City National Bank, BlueBay Asset Management and Brewin Dolphin; based on self-identification; excludes summer interns, students and co-ops. Black, Indigenous and people of colour hires includes Canada and U.S. only. Women hires is global.
2 Promotions are defined as an upward change in position level, HR Class or Global Grade. Excludes summer interns, students, co-ops. City National Bank, Blue Bay Asset Management and Brewin Dolphin. Values for women represent data from our global operations. Values for Black, Indigenous and people of colour represent data from our businesses in Canada and the U.S., based on self-identification.
3 Represents data for our businesses in Canada governed by the Employment Equity Act. A new executive appointment is the appointment of an internal employee or external hire as a first-time Executive, Vice-President, Senior Vice-President or Executive Vice-President.
4 Represents data based on self-identification for our businesses in Canada governed by the Employment Equity Act.
Cyber risk oversight

Trust and security are more important than ever, and RBC is focused on cybersecurity and safeguarding the security of our systems and the confidentiality of our clients’ information. Our security strategy supports our strategic direction and is designed to safeguard data entrusted to us by our clients.

Globally, the volume and sophistication of cyber-attacks continue to increase; the resulting implications could include business interruptions, service disruptions, financial loss, theft of intellectual property and confidential information, litigation, enhanced regulatory attention and penalties, and reputational damage. We continue to enhance our security capabilities, educate our customers and workforce, and deepen our relationships with governments, law enforcement and academia to advance our cyber defences in thwarting the threats targeting the financial sector. We achieve this through continued investment in cyber technologies, driving the education and awareness of our clients and workforce, and leveraging emerging technologies.

The board of directors and its risk committee play an active role in overseeing how the bank manages these risks. The board oversees the strategic direction, plans and priorities of the bank and ensures they align with our risk appetite framework which the board approves annually. The risk committee assists the board in overseeing our risk management and reviews significant risks, as well as top and emerging risks, including information technology and cyber risks. The board annually receives a cyber security update, and the risk committee receives regular reporting on information technology and cyber risks.

For more information on how we safeguard the security of our systems and the confidentiality of our clients’ information, please see our 2022 ESG Performance Report and visit [rbc.com/cyber](http://rbc.com/cyber). In addition, our 2022 annual report contains a detailed description of the bank’s approach to risk management, including how it manages cyber and information technology risks.

Engaging with shareholders and other stakeholders

Continuous and open dialogue with shareholders and other stakeholders is a key priority for us. We engage with our shareholders and other stakeholders throughout the year on a variety of topics. More specifically, in 2022, RBC continued communications with B.C. General Employees’ Union (BCGEU) and Mouvement d’éducation et de défense des actionnaires (MÉDAC) to discuss the bank’s approach to social and environmental matters arising from the shareholder proposals they had submitted in 2022, respectively on the topics of financialization of housing in Canada and the circular economy. For more information on these matters, please see our responses to shareholder proposals A and 8 in schedule A of our 2023 management proxy circular.

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 <a href="http://rbc.com/governance">rbc.com/governance</a>.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>The CEO and other members of the Group Executive, senior management, Investor Relations, and the Corporate Secretary’s Department meet regularly with financial analysts, investors and other stakeholders.</td>
</tr>
<tr>
<td>Investor Relations</td>
<td>Investor Relations is responsible for communicating with the investing public on behalf of RBC.</td>
</tr>
<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 of shareholders via a live webcast, which is archived on our Investor Relations site until the next annual meeting.</td>
</tr>
</tbody>
</table>

Please see the back cover of our 2023 management proxy circular for the contact details of the board chair, secretary and Investor Relations.
Board independence

With the exception of our CEO, all 2023 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 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 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.

| Board interlock policy | No more than two RBC board members may serve as director on the same public company board. As of February 7, 2023, Mr. Bibic and Mr. Denison both serve on the board of directors of BCE Inc. Following Mr. Denison’s retirement from the RBC board of directors on April 5, 2023, there will be no RBC director serving on another public company board with another RBC director. |
| Service on public company audit committees | 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.

<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 2022, 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 regularly engage independent search firms to help identify high-priority 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, challenging macroeconomic environment and rapidly 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 23 of our 2023 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

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

**IN-DEPTH REVIEW**
- consider future strategic objectives and risks
- reference skills matrix
- consider diversity
- assess qualifications
- review independence
- check conflicts
- interview process

**APPROVAL**
- governance committee recommends
- board approves
- shareholders elect

5 new directors since 2018

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><strong>Under the Bank Act</strong></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><strong>Under the Proxy Access Policy</strong></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><strong>Individuals and other stakeholders</strong></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 2023 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 priority 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. Residency, familiarity with geographic regions relevant to our strategic objectives as well as language skills are also considered.

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 21 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, 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 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>As of April 5, 2023, the board chair’s term will be five 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>

The board, upon the recommendation of the governance committee, may waive the term and/or age limits for a director, and the term of the board chair or a committee chair.

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 still proved to be very relevant in 2022.

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.)
Periodically, the board also participates in tours of our operations to further learn about our businesses. In 2022, the board and its committees held meetings in London, U.K. The meetings gave directors the opportunity to deepen their knowledge of our U.K. and European businesses. Directors visited our local office, received presentations on the bank’s business and competitive environment as well as on market, economic and political trends in the U.K. and Europe. Directors also had the opportunity to engage with employees, senior leadership teams and independent directors of our key U.K. subsidiaries.

**Focus on continuous education**

The board and management remained focused on the key issues impacting RBC as well as our clients, employees, shareholders, communities and other stakeholders. We take a coordinated approach to education across the board and its committees are organized around the themes of market, macroeconomic environment, technological and digital, environmental, social and governance, and regulatory matters. Directors also attended several talent events with employees throughout the year.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Education presentations</th>
<th>Attendance</th>
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<tbody>
<tr>
<td>Q1 2022</td>
<td>Cyber Security Annual Update</td>
<td>Board</td>
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<td>Advancements in Climate Risk Measurements</td>
<td>Board</td>
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<td>Re-imagining Human Resources</td>
<td>Board</td>
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<td></td>
<td>Climate Risk Management</td>
<td>Board</td>
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<td></td>
<td>Corporate Governance Trends and Developments</td>
<td>Governance</td>
</tr>
<tr>
<td>Q2 2022</td>
<td>A Refreshed Approach to Diversity and Inclusion</td>
<td>Board</td>
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<td></td>
<td>Capital Management Levers</td>
<td>Audit</td>
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<td></td>
<td>Finance Perspectives on Wealth Management</td>
<td>Audit</td>
</tr>
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<td></td>
<td>Continuous Enhancement of Reputational Risk Management</td>
<td>Audit, Risk¹</td>
</tr>
<tr>
<td></td>
<td>ESG Overview and Reporting Environment</td>
<td>Audit, Governance and Human resources²</td>
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<td></td>
<td>Board Oversight of ESG Trends, Practices and Governance Frameworks</td>
<td>Governance</td>
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<td>Operational Resilience</td>
<td>Risk</td>
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<td>Q3 2022</td>
<td>Payment Disruptions</td>
<td>Board</td>
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<td></td>
<td>Emerging Macroeconomic Risks</td>
<td>Audit, Risk¹</td>
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<td></td>
<td>Finance Perspectives on Canadian Banking</td>
<td>Audit</td>
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<td></td>
<td>Market Overview of Executive Compensation and Related ESG Disclosure</td>
<td>Human resources</td>
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<td>Home Equity Finance Through a Risk Lens</td>
<td>Risk</td>
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<td>Model Efficacy in the Current Evolving Macroeconomic Environment</td>
<td>Risk</td>
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<td>Enterprise Data Risk Management &amp; Governance</td>
<td>Risk</td>
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<td>Q4 2022</td>
<td>Financed Emissions Reduction Targets</td>
<td>Board</td>
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<td>RBC in the Financial Services Industry</td>
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<td>Overview of RBC’s Control Environment</td>
<td>Audit</td>
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<td>Leadership Strategy</td>
<td>Human resources</td>
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<td>Third Party Risk Profile</td>
<td>Risk</td>
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<td>Business Financial Services Through a Risk Lens</td>
<td>Risk</td>
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<td>London, U.K. meetings</td>
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<td>Board</td>
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<td></td>
<td>Global Macro Issues</td>
<td>Audit, Risk¹</td>
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<td>U.K. and Europe Economic Update</td>
<td>Audit, Risk¹</td>
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<td></td>
<td>Overview of RBC Businesses in Europe</td>
<td>Audit, Risk¹</td>
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<td></td>
<td>Climate Strategy and Lessons Learned from Europe</td>
<td>Audit, Risk¹</td>
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<td></td>
<td>Overview of RBC Europe Risk, Compliance and Finance Environment</td>
<td>Audit, Risk¹</td>
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1 All the directors are in attendance at joint audit and risk committee sessions.
2 All the directors are in attendance at the joint audit, governance and human resources committee session.
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.

Each year we retain an independent consultant to facilitate the evaluation process.

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.

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.

Director effectiveness

- **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

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

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

- **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 and encourages diversity
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 administered by an independent consultant 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.

The 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.

<table>
<thead>
<tr>
<th>Canadian comparator group</th>
<th>Non-financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions</td>
<td>B.C. Inc.</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>Canadian National Railway Company</td>
</tr>
<tr>
<td>The Bank of Nova Scotia</td>
<td>Enbridge Inc.</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>Nutrien Ltd.</td>
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<tr>
<td>Manulife Financial Corporation</td>
<td>Suncor Energy</td>
</tr>
<tr>
<td>Sun Life Financial Inc.</td>
<td>TC Energy Corporation</td>
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<tr>
<td>Toronto-Dominion Bank</td>
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</table>

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<thead>
<tr>
<th>U.S. and international reference group</th>
<th>International financial institutions</th>
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<tr>
<td>U.S. financial institutions</td>
<td>Australia and New Zealand Banking Group Limited</td>
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<tr>
<td>Bank of America Corporation</td>
<td>Commonwealth Bank of Australia</td>
</tr>
<tr>
<td>Citigroup Inc.</td>
<td>National Australia Bank</td>
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<tr>
<td>JPMorgan Chase &amp; Co.</td>
<td>Westpac Banking Corporation</td>
</tr>
<tr>
<td>PNC Financial Services Group, Inc.</td>
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<tr>
<td>U.S. Bancorp</td>
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<tr>
<td>Wells Fargo &amp; Company</td>
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</table>

Compensation structure
We believe in a simple 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. Directors do not receive any additional travel or meeting fees and are paid in Canadian dollars, regardless of country of residence.

In fiscal 2022, RBC directors were compensated as follows:

<table>
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<tr>
<th>Annual retainers</th>
<th>($)</th>
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<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.
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 four times the total director retainer ($1,200,000 in fiscal 2022) within five years of joining the board. Directors must own at least 1,000 common shares as part of this investment.

2. Investment of director fees

Directors must invest at least 60% ($180,000 in fiscal 2022) of their annual director retainer (the equity portion) in either common shares or DDSUs. Until a director owns at least 1,000 common shares, the equity portion of the director retainer is paid in common 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 common shares. Directors cannot sell common 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 2022) 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 2022, Mr. Chisholm was paid a director retainer of US$135,000 and received his compensation in DDSUs.
Changes to compensation for fiscal 2023

The governance committee regularly reviews director compensation to ensure that it is consistent with the responsibilities of directors and ensure that compensation is competitive to attract and retain qualified and experienced directors from Canada and other markets. Consistent with past practice, the governance committee retained an independent consultant, Hugessen Consulting (Hugessen), to provide advice on compensation design, peer group composition, market positioning and best practices in 2022. Fees in the amount of $35,311 were paid to Hugessen for these services. The previous independent review was conducted in 2019.

Pursuant to the findings of the Hugessen review, the governance committee assessed the design and competitiveness of RBC board compensation taking into consideration a number of factors, including the complexity and geographic footprint of RBC, the time commitment required of directors and committee chairs, the need to recruit new director candidates with top-tier international experience, as well as emerging board compensation trends – such as the use of foreign currency payments and travel fees. The committee also reviewed director equity ownership guidelines.

Following its assessment, the governance committee recommended that the current RBC practice of a flat annual fee paid in Canadian dollars for all directors regardless of country of residence and covering attendance at all regular and special board and committee meetings as well as all other regular director responsibilities including being a member on two committees be retained.

In recognition of the increased responsibility and time commitment required of directors, the governance committee also recommended that the annual director retainer be increased from $300,000 to $340,000, with the equity portion increasing from $180,000 to $204,000. The minimum equity ownership requirement for directors to acquire RBC equity with a total aggregate value of at least four times the annual director retainer within five years of joining the board remained unchanged. However, as a result of the increase of the annual director retainer, the dollar value of the minimum equity ownership threshold will automatically increase to $1,360,000.

The governance committee recommended that no changes be made to the board chair retainer. However, the committee recommended that the portion of the board chair retainer to be paid in common shares or DDSUs (in addition to the equity portion of the annual director retainer) be increased to 60%. The governance committee also recommended an increase in committee chair retainers from $50,000 to $60,000 given the greater responsibility, time commitment and complexity of these leadership positions. Committee chair retainers were last modified in 2014.

The foregoing changes were approved by the board with effect from November 1, 2022, with the exception of the changes to the board chair equity retainer, which will take effect on November 1, 2023.