



Message from the Chair of the Pension Plan Management Committee

The global pandemic and the ensuing economic challenges have tested society, and RBC, like never before. Amidst this challenging environment, one thing has not changed: RBC's strength is our people. Guided by our Purpose to help clients thrive and communities prosper, our employees led with a heightened sense of focus on helping our colleagues, clients and communities weather the storm and prepare for the future.

One of the ways we support our employees is through the RBC Retirement & Savings Programs, which provide features for building long- and short-term savings that support them through different phases of life. The **Pension Plan Management Committee (PPMC)** helps protect the interests of RBC plan members by ensuring that the pension and savings plans have a strong governance and compliance structure in place.

Defined Benefit (DB) Plan Performance

The funded status of the DB plan in Canada remained strong as at January 1, 2021, improving year over year as a result of strong asset performance and contributions made by RBC during 2020. On a **going-concern basis**¹, our largest plan in Canada, the Royal Bank Pension Plan, was 127% funded as of January 1, 2021. On a **solvency basis**², the Royal Bank Pension Plan was 105% funded as of January 1, 2021. In the first half of 2021, the estimated solvency financial position of the Plan continued to improve, primarily due to strong investment returns and increasing **solvency discount rates**.³

The PPMC monitors the assets of the DB plan, ensuring an appropriate level of risk is taken in light of the long-term nature of the plan's obligations while looking for compelling long-term investment returns and opportunities.

Features of the Defined Contribution (DC) Plan

The DC plan includes a variety of features designed to support plan members with their retirement savings objectives, including both automatic and matching contributions from RBC.

In addition, RBC aims to provide a set of investment choices under the DC plan that enable plan members to construct and maintain a well-diversified investment portfolio, in addition to providing solutions for those who prefer a more "hands-off" investment approach.

The plan achieved an annual return of 15% in 2020, outperforming our benchmark return of 10.7%. This outperformance was attributed to active management of the plan's investments.

Going-concern funding

127%

Solvency funding

105%

¹ The **going-concern** funded status is a measure used to determine the plan's liabilities assuming that both the Royal Bank Pension Plan and RBC continue indefinitely into the future.

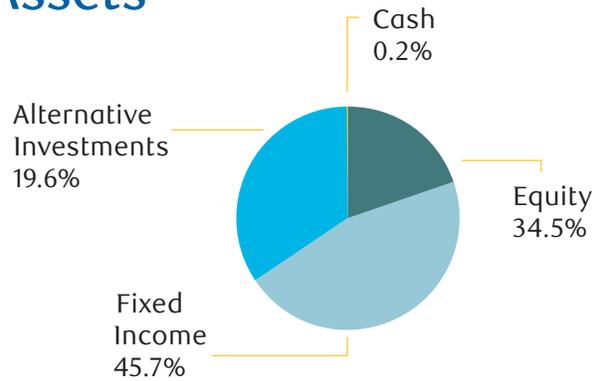
² The **solvency** funded status is another measure that is required by pension regulators. It determines the funded status of the DB plan under a hypothetical scenario where the plan is terminated immediately and all benefits are paid to members. Assumptions used to determine the funded status are prescribed by legislation.

³ The **solvency discount rate** is one of the prescribed assumptions used to determine the DB plan solvency liability (value of benefits that would have been paid to plan members had the Plan been terminated). When the discount rate increases, this reduces the estimated liability.

Defined Benefit Pension Plan Assets

Defined Benefit Pension Plan – Asset Mix (December 31, 2020)

The asset mix policy reflects the plan’s long-term investment strategy. As of December 31, 2020 the actual asset mix was within the allowable range of its policy.



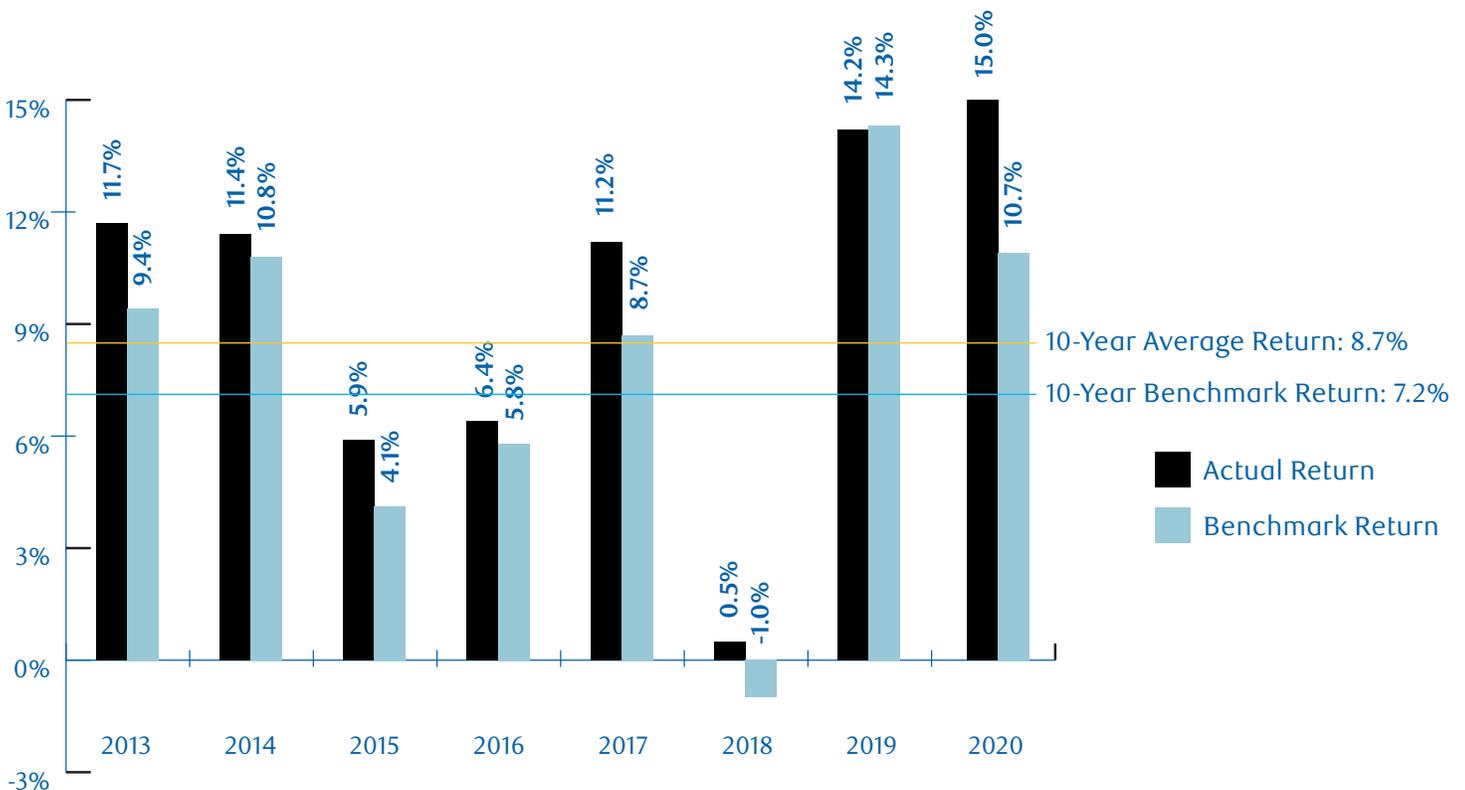
Investment Policy vs. Actual Asset Mix

Asset Class	Policy Allowable Range	Strategic Policy	Actual Dec 31, 2020
Equity	25% to 55%	34%	34.5%
Fixed Income	25% to 55%	44%	45.7%
Alternative Investments ¹	5% to 30%	22%	19.6%
Cash	0% to 5%		0.2%

¹ **Alternative investments** include infrastructure, private equity, hedge funds, commodities, real estate, and any other investment that does not fall in the traditional asset classes of stocks, bonds or cash. Because alternatives tend to behave differently than typical stock and bond investments, adding them to a portfolio may provide broader diversification, reduce risk, and enhance returns.

Royal Bank Pension Plan – Annual Performance

Our active management strategy continues to be effective, with long-term returns consistently outperforming our benchmarks. In 2020, the DB pension plan assets earned an annual return of 15.0%, outperforming our benchmark return of 10.7%.



Canadian Pension Plan Assets

Statement of Changes in Net Assets Available for Benefits, for the year ended December 31 (in thousands of dollars)		
	2020 \$	2019 \$
Defined Contribution Fund		
Net assets at beginning of year	1,471,544	1,164,240
Increase (decrease) in net assets		
Contributions by the employer	98,198	85,119
Contributions by members	82,510	71,800
Investment income (loss)	197,783	221,432
Withdrawals	(63,071)	(71,047)
Net assets at end of year	1,786,964	1,471,544
Defined Benefit Fund		
Net assets at beginning of year	13,809,855	12,314,478
Investment income (loss)		
Interest income	178,021	185,081
Dividend income	98,153	158,874
Income (loss) on derivatives	(12,619)	9,545
Other investment income	30,408	45,644
Change in market value of investments	1,776,660	1,287,130
Transaction costs	(2,371)	(1,710)
	2,068,252	1,684,564
Contributions		
Contributions by the employer	660,765	331,032
Contributions by members	48,409	47,947
	709,174	378,979
	2,777,426	2,063,543
Benefits and Expenses		
Pension benefits	(473,008)	(454,041)
Termination benefits	(77,217)	(72,780)
Management and other professional fees	(41,315)	(41,345)
	(591,540)	(568,166)
Increase (decrease) in net assets	2,185,886	1,495,377
Net assets at end of year	15,995,741	13,809,855

Management and Other Professional Fees (in thousands of Canadian dollars)		
	2020 \$	2019 \$
Investment management fees ¹	28,121	27,057
Professional fees	2,038	1,983
Trustee fees	3,251	4,424
Administration fees	7,398	7,255
Other	507	626
Total	41,315	41,345

¹ Investment management fees shown represent direct expenses (billed to the plan explicitly), in line with the expenses disclosed on the plans' financial statements. Indirect expenses (expenses that are deducted directly from the funds by the asset manager) in 2020 totaled \$78.8 million.

Defined Contribution Investments year ended December 31, 2020 (in thousands of dollars)		
	Fair Value \$	DC Assets %
PH&N Money Market Fund	67,983	3.8
PH&N Total Return Bond Fund	33,230	1.9
Blackrock Canadian Bond Index Fund	44,052	2.5
Blackrock Balanced Index Fund	84,751	4.7
RBC Balanced Fund	116,550	6.5
Blackrock Cdn Equity Index Fund	96,871	5.4
RBC Canadian Equity Fund	138,248	7.7
Blackrock US Equity Index Fund	292,970	16.4
Blackrock International Equity Index Fund	89,084	5.0
Capital Global Equity Fund	222,454	12.5
Capital International Emerging Markets Opportunity Fund	10,465	0.6
PH&N Life time 2015 Fund	3,255	0.2
PH&N Life time 2020 Fund	14,827	0.8
PH&N Life time 2025 Fund	43,435	2.4
PH&N Life time 2030 Fund	60,798	3.4
PH&N Life time 2035 Fund	82,396	4.6
PH&N Life time 2040 Fund	92,670	5.2
PH&N Life time 2045 Fund	172,466	9.7
PH&N Life time 2050 Fund	106,223	5.9
PH&N Life time 2055 Fund	13,711	0.8
PH&N Life time 2060 Fund	525	0.0
Total investments	1,786,964	100.0

Defined Benefit Investments Counterparty Distribution: Debt Investments (in thousands of dollars)		
	2020 (% of category)	2019 (% of category)
Government of Canada	3.7	5.8
Provinces and municipalities	48.5	44.0
Corporate and other	47.8	50.2
	100.0	100.0

Geographical Distribution - Equity Investments		
Canada	30.5	33.1
United States	39.5	37.0
Europe (excluding UK)	13.9	14.5
Emerging markets	9.4	7.5
United Kingdom	3.9	4.9
Japan	2.2	2.3
Asia (excluding Japan)	0.6	0.7
	100.0	100.0

Sectoral Distribution - Equity Investments		
Financial services	17.6	21.7
Energy	3.8	6.9
Information technology	18.1	13.2
Consumer discretionary	17.8	14.2
Materials	5.7	4.7
Industrial	8.9	10.6
Health Care	8.6	7.7
Consumer staples	4.6	5.0
Telecommunications	10.2	11.2
Utilities	2.6	2.6
Real estate	2.1	2.2
	100.0	100.0

Pension Plan Management Committee Membership

The Pension Plan Management Committee (“PPMC”) is a committee established by the Board of Directors of the Royal Bank of Canada, responsible for oversight of policy, funding, investment, management and administration issues arising with respect to the RBC Canadian Pension Plans. The PPMC meets five times a year and is comprised of the following members:



Neil Skelding – *Chair since 2012* – is President & CEO of RBC Insurance. Neil has global responsibility for RBC’s overall insurance business, which offers a wide range of life, health, home, auto, wealth, travel, annuities and reinsurance advice and solutions, as well as creditor and business insurance services, for individual, business and group clients.

Neil joined RBC Insurance in January 2003 and was appointed to his current position in September 2004. As Chair of RBC’s Pension Plan Management Committee, Neil is responsible for leading a cross-functional team that oversees RBC’s primary pension plans globally. Neil earned an engineering degree from Ryerson University and an MBA from McMaster University with a major in finance.



David Schwarz – *Secretary since 2020* – is Senior Vice President, Compensation and Benefits and is responsible for leading RBC’s compensation advice and counsel practice, executive compensation and governance, compensation shareholder engagement, and the oversight of benefits, pension and wellness activities for RBC. David joined RBC in 2001 and held progressively senior roles in Head Office and Platform Finance as well as Internal Audit Services before joining Human Resources and the Total Rewards team in 2011. David holds a Bachelor of Commerce degree from McMaster University and the Chartered Professional Accountant (Ontario) designation.



Katherine Gibson – *PPMC member since November 2016* – is Senior Vice President, Finance & Controller for RBC and is responsible for Head Office Finance including performance management, external reporting, accounting policy, operational risk and enterprise decision support. She is a member of the CFO Operating Committee and serves on the City National Bank board. Katherine is also the Executive Co-Chair of the Advancement of Women in Leadership committee (AWL) at RBC. Katherine is a Chartered Accountant and a Certified Public Accountant (Illinois). She also holds a Bachelor of Commerce Degree, with Honours, from the University of Manitoba.



Helena Gottschling – *Chief Human Resources Officer since June 2017* – Helena Gottschling is RBC’s Chief Human Resources Officer (CHRO) with global responsibility for Human Resources. Together with other members of Group Executive, Helena is responsible for setting the overall strategic direction of RBC. Helena joined RBC in 1985, holding progressively senior roles in Retail Banking, Human Resources and National Office. She re-joined Human Resources in 2006 and held a number of executive roles before being appointed CHRO in 2017. Helena holds a Bachelor of Business Administration degree from Simon Fraser University in Vancouver, British Columbia.

Pension Plan Management Committee Membership

(Continued...)



James Salem – *PPMC member since 2009* – is Executive Vice President and Treasurer of Royal Bank of Canada, and is responsible for the enterprise’s capital, funding and liquidity management, as well as for asset liability management of the bank. Under Mr. Salem’s leadership, RBC’s Corporate Treasury executes term funding and capital transactions to optimize the bank’s debt and equity structure, in addition to transactions carried out for managing discretionary fixed income portfolios and executing the bank’s asset liability management strategies. He has also chaired the Pension Plan Investment Sub-Committee since 2009.

James has been with RBC since 1989. He is a Chartered Financial Analyst and is a Certified Risk Professional charter member.



Martin Thibodeau – *PPMC member since 2015* – is President, British Columbia headquarters of RBC Royal Bank and is responsible for carrying out RBC Royal Bank’s strategic objectives and for managing business priorities in British Columbia. He also oversees the implementation of policies and programs that promote the interests of RBC clients, employees and shareholders.

Martin joined RBC in 1989 and has worked primarily in Personal & Commercial Financial Services. In recent years, he held a number of senior management positions in various regions of Canada as well as at the National Office. He was appointed to his current position in 2018.

Martin has an MBA from ESG-UQAM and holds the Fellow, Institute of Canadian Bankers designation.



Damon Williams – *PPMC member since 2013* – is CEO of RBC Global Asset Management (RBC GAM), the asset management division of Royal Bank of Canada (RBC). He is also the CEO and Ultimate Designated Person of RBC GAM in Canada (RBC Global Asset Management Inc.) and sits on that firm’s Board of Directors.

Damon joined Phillips, Hager & North Investment Management (PH&N IM) in 2005 as an institutional portfolio manager specialized in fixed income and became part of RBC GAM when the firm was acquired by RBC in 2008. Damon served as head of the institutional business globally and as President of PH&N IM (the institutional asset management business in Canada), before becoming CEO of the global and Canadian businesses in 2015.

Damon is a Fellow of the Canadian Institute of Actuaries and a Fellow of the Society of Actuaries. He also holds a Bachelor of Mathematics, with Honours, from the University of Waterloo and is a CFA charterholder.