

Charters of committees of Board of Directors of Royal Bank of Canada

Excerpted from ROYAL BANK OF CANADA ADMINISTRATIVE RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF ROYAL BANK OF CANADA (hereinafter referred to as the "Bank")

(As at November 25, 2003)

2.2 Conduct Review and Risk Policy Committee

- 2.2.1 A committee of the directors to be known as the "Conduct Review and Risk Policy Committee" (hereinafter referred to as the "Committee") is hereby established.
- 2.2.2 The Committee shall be composed of not less than five directors. As required by the *Bank Act*, none of the members of the Committee shall be an officer or employee of the Bank or of an affiliate of the Bank. A majority of the members of the Committee shall be "unaffiliated", as defined in regulations made under the *Bank Act*.
- 2.2.3 The members of the Committee shall be appointed or reappointed at the annual Organizational Meeting of the directors and in the normal course will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.
- 2.2.4 The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual Organizational Meeting of the directors, a Chairman from among their number. The Chairman shall not be a former officer of the Bank or of an affiliate. The Committee shall also appoint a Secretary who need not be a director.
- 2.2.5 The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof, provided that:
- a) a quorum for meetings shall be three members;
 - b) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee and to the external auditors at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called; and
 - c) a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the Committee, other than a resolution of the Committee carrying out its duties under subsection 195(3) of the *Bank Act*, is as valid as if it had been passed at a meeting of the Committee.
- 2.2.6 The purpose of the Committee is to ensure that management has established policies and procedures relating to compliance with the self-dealing provisions of the *Bank Act* and to direct and oversee risk management of the Bank and its business groups (the "Group"), ensuring that management has in place policies and processes to manage the significant risks to which the Group is exposed, including compliance with the standards of the Canada Deposit Insurance Corporation ("CDIC") relating to risk management and business conduct and ethical behaviour and other applicable laws and regulations. The Committee is to understand the significant risks to which the Group is exposed, under the Group's risk framework, and the policies, procedures and controls used by management to assess and manage these risks. The Committee reviews actions taken to ensure a sound and consistent risk profile.
- 2.2.6.1 The Committee, with respect to its conduct review responsibilities, shall:
- a) ensure procedures and practices are established by management as required under section 195(3) of the *Bank Act* relating to self-dealing and under sections 306 and 402 of the *Sarbanes-Oxley Act of 2002* relating to insider trades during pension fund blackout periods and personal loans to directors and executive officers;
 - b) establish measurement criteria and benchmarks for permitted transactions with related parties of the Bank and submit these criteria to the Superintendent of Financial Institutions for approval;
 - c) in accordance with the provisions of the *Bank Act*, approve the terms and conditions of loans and financial services made available pursuant to subsections 496(4), (5) and (6);
 - d) establish and monitor procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information;

- e) establish and monitor procedures to provide disclosure of information to customers of the Bank that is required to be disclosed by the *Bank Act* and for dealing with complaints as required by subsection 455(1) of the *Bank Act* and satisfy itself that the procedures are being adhered to by the Bank;
- f) review the practices of the Bank to ensure that any transactions with related parties of the Bank that may have a material effect on the stability or solvency of the Bank are identified; and
- g) when requested by the Bank, and subject to the laws applicable to the subsidiary, the Committee may perform for and on behalf of a subsidiary all the functions of a conduct review committee of the subsidiary.

2.2.6.2 The Committee, with respect to its risk policy responsibilities, shall:

- a) review credits granted to entities controlled by the Bank, in excess of CAN\$250 Million and policies related to those credits.
- b) approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities;
- c) review risk reporting on significant risks, including the amount, nature, characteristics, concentration and quality of the credit portfolio, as well as all significant exposures to credit risk through reports on Significant Credit Exposure presented to the Committee as per Schedule I (as revised from time to time by, or with the approval of, the Committee);
- d) establish investment and lending policies, standards and procedures in accordance with Section 465 of the *Bank Act*; and
- e) approve annually the adoption of a net debit cap category in respect of daily overdrafts incurred in the Bank's account with the Federal Reserve Bank of New York.

2.2.6.3 The Committee, with respect to the CDIC standards, shall:

- a) review and approve on a regular basis standards of business conduct and ethical behavior for the Bank's directors, senior management and employees;
- b) obtain on a regular basis reasonable assurance that the Bank has processes to ensure adherence to its standards of business conduct and ethical behavior;
- c) review and approve at least once a year the risk management policies recommended by the Bank's management, including policies concerning credit risk, market risk, structural risk, fiduciary risk and operational risk;
- d) review on a regular basis the Bank's risk management process;
- e) obtain on a regular basis reasonable assurance that the Bank's risk management policies for significant risks are being adhered to;
- f) annually review a senior management representation letter concerning adherence to the CDIC standards presented to the Committee;
- g) review and approve a periodic standards report and any other matters required from time to time by the CDIC; and
- h) evaluate, on a regular basis, the effectiveness and prudence of senior management in managing the operations of the Bank and the risks to which the Bank is exposed.

2.2.7 The establishment of the Committee will not preclude management from discussing any loan or any other matters with the Board of Directors.

2.2.8 The Committee shall:

- a) after every meeting of the Committee, report to the Board of Directors on matters reviewed by the Committee; and
- b) submit a report annually to the Board of Directors on what the Committee did during the year in carrying out its responsibilities under subsection 195(3) of the *Bank Act* and, subject to the approval of the Board of Directors, file such report with the Superintendent of Financial Institutions.

2.2.9 The Committee shall annually review and assess the adequacy of its mandate and evaluate its effectiveness in fulfilling its mandate.