



Shareholder Resolution

Royal Bank of Canada Demonstration of Pay for Performance

Be It Resolved That:

The Human Resources Committee disclose measurable performance targets used when determining awards under the annual variable short-term incentive program, the mid-term incentive program and the long-term incentive program.

Supporting Statement:

In an era in which financial sector regulators (domestic and international) are paying closer attention to risk management and compensation, it is more important than ever to be accountable and transparent in the granting of compensation awards.

Currently, The Royal Bank of Canada (RBC) lags its peers on the clarity of its compensation structure. For example, the annual variable short-term incentive program is based on achieving “risk, strategic and operational measures” which account for 40% of the award, but measurable performance targets are not disclosed. While RBC provides investors with general objectives such as “maintain high employee engagement levels”, no concrete targets are provided to illustrate the link between pay and performance.

When determining mid-term and long-term incentive awards, the proxy states that key consideration is given to the Tier 1 ratio and total shareholder return. However, targets used when awarding this variable compensation are not provided, and there is some duplication of criteria as the short-term incentive program already includes the Tier 1 ratio, meaning executives are being rewarded more than once for the same result.

In 2011, the only concrete compensation metric that RBC disclosed (with target and result) was net income after-tax – which accounts for 60% of the annual variable short-term incentive program.

RBC’s peers are providing investors with specific performance targets and results against those targets, which allow investors to clearly see the link between pay and performance. Given RBC has previously excluded a \$1 billion write-down when awarding compensation, disclosing the specific targets used when determining compensation awards would provide investors with assurance that RBC is aligning compensation with shareholders’ interests and paying for performance.

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