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The following remarks were delivered at the Royal Bank of Canada Annual General Meeting by Michelle de Cordova, Director, Corporate Engagement & Public Policy, NEI Investments.

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I would like to thank the Chair for giving me the opportunity to speak on a withdrawn proposal co-filed by NEI Investments, which holds 361,500 shares, Mr. William Davis, and The United Church of Canada, in which we asked the board to report to shareholders on the results and risks of basing the quantum of senior executive compensation largely on horizontal comparisons with compensation at peer companies, and to discuss the potential to integrate vertical comparison metrics into compensation decision-making. The proposal was withdrawn when RBC agreed to report back to shareholders. The proxy circular describes the research that was conducted, and also explains that the compensation committee was provided with select vertical pay ratios to provide context during its compensation deliberations.

When RBC adopts a new governance practice, other companies take notice, so we would like to thank RBC for considering the proposal and for taking a lead on this issue.

We see potential for further disclosures by RBC on the relationship between the pay of executives and other bank employees, and the trends in that relationship. We also think there is value in further exploration of issues relating to the quantum of executive compensation that were mentioned in the supporting statement to the proposal, but were not covered in last year's research: whether very high levels of compensation are actually the best way to motivate our executive to their best performance; what are the possible impacts of pay disparity on motivation and productivity across organizations; and finally the relationship of high executive compensation to the question of income inequality and the threat of hollowing out of the middle class, which has become such a focus of public debate. We see this not only as an important social issue, but a risk to companies: companies can't prosper if their customers don't prosper. Perhaps there is a role for vertical comparisons here, too. High executive pay is obviously not the only factor in the income inequality equation, but it is the one that we shareholders actually have a say on.

In conclusion, once again we would like to thank RBC for its response to the proposal and for taking a lead in exploring the equitable compensation question. We look forward to further discussions on this issue.

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