

# Remuneration

## *Pillar 3 Disclosures for RBC Investor Services Bank S.A.*

YEAR ENDED OCTOBER 31, 2016

**Strictly Private and Confidential**



**RBC Investor &  
Treasury Services**

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# Remuneration

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Remuneration disclosures are made in line with the Company's application of the requirements of Article 450 of the Capital Requirements Regulation (EU) No 575/2013.

## Constitution and Activities of the Remuneration Committee

RBC Investor Services Bank S.A. ("IS Bank") has a Remuneration Committee which is responsible for the application of the compensation principles, practices and processes within IS Bank to ensure that they support the business objectives determined by the Board of Directors and/or senior management and take into account sound risk management practices, including long-term and short-term risk. The Committee is responsible for approving compensation policy and in doing so takes into account the pay and benefits across our Company. This includes the terms of bonus plans and other incentive plans. The Committee is responsible for the preparation of recommendations to the Board regarding the remuneration of senior executives, material risk takers, and other employees and directors identified as Regulated Employees across IS Bank.

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<b>Members (fiscal year-end)</b>	<b>Meeting Attendance (2 meetings in total)</b>
▪ Kim Stevens (Chair)	▪ 2 meetings
▪ Stephen Walker	▪ 2 meetings
▪ Gennaro Casale	▪ 2 meetings

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All of the members of the Committee are independent of day to day management under the standards set out by the Board. Kim Stevens is based in Canada and is not an employee of IS Bank. Stephen Walker is an independent Non-Executive Director. Gennaro Casale is the Employee Representative on the Committee. No individual is involved in decisions relating to his or her own compensation.

During the year, the Committee received advice from RBC Compensation Centre of Expertise (COE) and IS Bank Chief Risk Officer, who provided advice to the Committee on the implications of the compensation policy on risk and risk management.

### Role of the Relevant Stakeholders

The Committee takes full account of the Company's strategic goals in setting compensation policy and is mindful of its duties to shareholders and other stakeholders. The Committee seeks to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

## Criteria for the Identification of Regulated Employees

The following groups of employees have been identified as meeting the criteria for Regulated Employees:

### *Employees captured by qualitative criteria*

- Board of Directors
- Senior control function management including risk, compliance and internal audit and heads of finance, human resources, information technology and legal

### *Employees captured by quantitative criteria*

- Employees awarded total compensation of €500,000 or more in the preceding financial year

- Employees within the 0.3% of the number of staff who have been awarded the highest total compensation in the preceding year
- Employees awarded compensation in the preceding financial year which was equal to or greater than the lowest total compensation awarded to those meeting specified qualitative criteria.

## Design and Structure of Compensation for Regulated Employees

The Company's approach to compensation is based on five guiding principles:

1. Compensation aligns with shareholder interests;
2. Compensation aligns with sound risk management principles;
3. Compensation rewards performance;
4. Compensation enables the Company to attract, engage and retain talent; and
5. Compensation rewards behaviours that are consistent with our values.

All the Company's compensation policies and plans align with these principles and the Compensation Policy is approved by the Remuneration Committee and the Board of Directors.

### Elements of Compensation

#### a. Fixed Remuneration

All Regulated Employees receive fixed remuneration that reflects their market value, responsibility and contribution to the Company.

#### b. Variable Remuneration

All Regulated Employees, other than the Independent Non-Executive Directors and overseas Board Directors are eligible to participate in discretionary performance based incentive schemes.

Performance based annual discretionary incentives may be awarded based on the performance of the Company, the business, and the individual as detailed below. Annual incentives for Regulated Employees are subject to review by the IS Bank Chief Risk Officer to ensure they adequately reflect risk and performance, and are subject to review and recommendation to the Board by the Remuneration Committee

IS Bank has obtained the necessary approvals to operate a maximum level of the ratio between the fixed and variable components of remuneration that does not exceed 200% of the fixed component of the total remuneration for each individual as required under Article 91(1)(g) of CRD IV.

All compensation plans contain minimum compensation deferral requirements for Regulated Employees in line with Regulatory requirements. 50% of variable compensation is delivered in equity-linked awards which are subject to retention periods of 6 months post vesting. Depending on the compensation plan, the vesting of deferred compensation is either:

- 25% at the end of year one, 25% at the end of year two, and 50% at the end of year three, or
- 100% at the end of year three.

## The Link between Pay and Performance for Regulated Employees

Variable compensation plans reward employees on the basis of several factors, including individual, business segment and enterprise results relative to established performance objectives that are aligned with the risk appetite of RBC. A significant portion of performance-based pay is deferred in the form of equity incentive awards in order to align compensation with the risk time horizon and motivate employees to generate longer-term value for shareholders. To create a clear relationship between pay and performance, employees have an opportunity to

earn higher compensation for outstanding performance, and conversely, earn less compensation when RBC, a business segment and/or individual results fall below expectations.

At the individual level, there are a number of factors that are considered in determining the extent to which an employee participates in a discretionary bonus distribution. Individual performance is evaluated using both financial and non-financial measures. Non-financial measures considered in the discretionary bonus evaluation process include the following:

- Adherence to our Code of Conduct. All employees are expected to adhere to our Code of Conduct, and failure to adhere through unethical or non-compliant behaviours results in disciplinary or corrective action, which may include immediate or eventual dismissal. All employees receive Code of Conduct training and testing on joining RBC and every year thereafter;
- Compliance with a full range of risk management policies specific to individual job requirements as outlined in employee Performance Management Documents;
- Assessment of key behaviours, which are part of the RBC Global Performance Management process;
- Reports from control functions, including those from Internal Audit, Compliance, and Group Risk Management regarding operational, market and credit risks, among others; and
- Assessment of accountabilities and detailed action plans to implement and monitor changes required to close the gaps identified during risk management or internal audit reviews.

Employees that are not meeting the above mentioned non-financial performance standards for their role are subject to our corrective action process, which can include either a significant reduction in bonus amounts or dismissal.

Furthermore, prior to vesting, Regulated Employees deferred compensation is subject to review under the firm's risk and performance adjustment process whereby actual risk and performance outcomes are reviewed and if materially different from assessments made when deferred compensation was granted, or if misconduct has occurred, then deferred compensation may be reduced or forfeited in full.

## Disclosures on Remuneration

During the year ended October 31, 2016, remuneration for staff whose professional activities have a material impact on the risk profile of the business was as follows:

**Table 1: Fixed and variable remuneration paid**

Table 1: Fixed and variable compensation paid		
(EUR millions)	2016	
	Senior Management	Other
Number of Regulated Employees	10	35
<b>Fixed Compensation</b>		
Cash-based	€ 2.1	€ 5.5
<b>Variable compensation</b>		
Cash-based (non-deferred)	€ 0.6	€ 1.3
Cash-based (deferred)	€ 0.3	€ 0.6
Shares and share-linked instruments (non-deferred)	€ 0.5	€ 0.8
Shares and share-linked instruments (deferred)	€ 0.5	€ 0.7

**Table 2: Deferred compensation**

Table 2: Deferred compensation		
(EUR millions)	2016	
	Senior Management	Other
<b>Outstanding</b>		
Vested	€ 0.0	€ 0.6
Unvested	€ 1.9	€ 3.2
<b>Fiscal year payouts</b>		
	€ 1.3	€ 2.0

**Table 3: Other compensation paid**

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(EUR millions)	2016	
	Number of employees	Amount
Sign-on awards	1	€ 0.03
Severances	2	€ 1.41
Guaranteed awards	-	-

**Table 4: Analysis by compensation bands**

There were no Regulated Employees with total direct remuneration of EUR 1 million or more in FY2016.

