

## **BMO FINANCIAL GROUP PROCUREMENT ETHICS GUIDE**

### **Purpose**

The Procurement Ethics Guide establishes how BMO Financial Group (BMO) personnel should deal with suppliers. The Guide reflects the high ethical standards that we view as being fundamental to our procurement processes and the basic principle that we do not personally benefit, directly or indirectly, from any business dealings we undertake on BMO's behalf, or from any special knowledge we only could gain on the job.

This guide is to be used in conjunction with the:

- Procurement Corporate Standard,
- Supplier Governance Corporate Standard,
- *FirstPrinciples* - Our Code of Business Conduct and Ethics, CP 0602-03

### **This guide applies to:**

- All BMO Financial Group (BMO) employees involved in procurement/purchasing.

Our BMO internal clients should be made aware of these guidelines as appropriate.

### **Sourcing Guidelines**

The following table provides guidance on how different potential conflict of interest situations must be addressed.

When dealing with suppliers, the risk that a conflict of interest may arise exists at any time but it increases dramatically during the process of sourcing and negotiating contractual terms. The restrictions described below are designed to correspond to the level of risk that applies at different times in the relationship with suppliers.

	<b>No Sourcing Activity Underway<sup>1</sup></b>	<b>Sourcing Activity Underway<sup>2</sup></b>
Relationship to Supplier		Any real or perceived relationship to any company involved in the procurement initiative must be reported to the initiative Sponsor or Project Manager. Examples include: <ul style="list-style-type: none"> <li>• equity ownership of a company (other than BMO)</li> <li>• personal or social relationships with company personnel</li> </ul> BMO personnel participating in the initiative are required to make the same disclosures to their manager.
Cash or Other Financial Support	Any gift or benefit in the form of cash or other financial support is to be declined, unless the same offer is readily available to all other BMO employees.	Any gift or benefit in the form of cash or other financial support is to be declined.
Supplier Debt or Equity	Favourable rates on share or debenture purchases are to be declined.	<ul style="list-style-type: none"> <li>• Favourable rates on share or debenture purchases are to be declined.</li> <li>• Personnel holding a prior direct debt or equity interest in any supplier under consideration must declare their interest.</li> <li>• Personnel must not deal in any of the subject companies' debt or equity during the procurement initiative.</li> </ul>
Gifts	Gifts are not to be accepted where they have a value greater than \$100.	Gifts of any value are not to be accepted.

1 Applies to situations where no contractual relationship with the supplier exists or is being contemplated and also after sourcing activity results in a contractual relationship with the supplier.

2 Guidelines in the section "Sourcing Activity Underway" apply only to employees directly engaged in an ongoing sourcing activity. 'Sourcing Activity Underway' starts when we are engaged to perform a sourcing initiative and it ends when an agreement (Memorandum of Understanding or contract) is signed by an officer of BMO.

	<b>No Sourcing Activity Underway<sup>1</sup></b>	<b>Sourcing Activity Underway<sup>2</sup></b>
<b>Trips</b>	<ul style="list-style-type: none"> <li>All travel requests should be reviewed with your manager to determine the necessity / value of the trip. Should the trip be warranted, then all associated travel costs are to be paid by BMO as a "Travelling on Business" expense.</li> <li>Supplier briefings, industry conferences, "Plant" tours are also to be BMO funded and approved by Management.</li> <li>Non-business trips are to be declined, if funded by the supplier.</li> </ul>	<ul style="list-style-type: none"> <li>All travel requests should be reviewed with your manager to determine the necessity / value of the trip. Should the trip be warranted, then all associated travel costs are to be paid by the BMO as a "Travelling on Business" expense.</li> <li>Supplier briefings, industry conferences, "Plant" tours are also to be BMO funded and approved by Management.</li> <li>Trips are to be limited to those required for business decision input only.</li> <li>Non-business trips are to be declined.</li> </ul>
Tickets and invitations to sporting and cultural events (hockey, basketball, baseball games, theatre, etc.)	<p><u>Accompanied by supplier:</u></p> <ul style="list-style-type: none"> <li>For local events, tickets or invitations may be accepted <ul style="list-style-type: none"> <li>on an infrequent basis only (i.e. no more than semi-annually), or</li> <li>In the company of a supplier's other clients.</li> </ul> </li> <li>If the event is out-of-town and the supplier offers funded travel, or lodging, then the event should be paid for by BMO or by the employee (with Management approval), or is declined.</li> </ul> <p><u>Not accompanied by supplier:</u></p> <ul style="list-style-type: none"> <li>Tickets or invitations may be accepted on an infrequent basis only (i.e. no more than semi-annually) and only when the tickets have a total value less than \$300.</li> </ul>	Tickets or invitations to such events, whether local or out-of-town, are not to be accepted.

	<b>No Sourcing Activity Underway<sup>1</sup></b>	<b>Sourcing Activity Underway<sup>2</sup></b>
Supplier tournaments and promotional events (e.g. golf, skiing, etc.)	<ul style="list-style-type: none"> <li>• Events that are local and include other supplier clients are acceptable.</li> <li>• Any prize worth more than \$100 won at the event must be declared to your manager, and is only acceptable if won by chance.</li> <li>• Any gift offered at the event is to be considered as outlined in the "Gifts" section previously mentioned.</li> </ul>	Invitations to such events are not to be accepted
Meals	If funded by a supplier, meals should be no more frequent than semi-annually and must be related to business discussions or development.	Meals funded by a supplier during the sourcing process are not to be accepted.
Conference, seminar and/or social functions	Same rules apply as for meals.	Invitations to such events are not to be accepted.
Supplier donations to charities:	<ul style="list-style-type: none"> <li>• Solicitation or acceptance of donations to charities or charitable functions are acceptable provided: <ul style="list-style-type: none"> <li>○ charity is a registered charity</li> <li>○ discretion is used in making requests of suppliers</li> <li>○ donations over \$500 require approval of Senior Vice-President, Corporate Real Estate &amp; Strategic Sourcing</li> <li>○ Department Manager must be informed of request for donations.</li> </ul> </li> </ul>	Solicitation or acceptance of donations from suppliers is not permitted.
Soliciting prizes / sponsorship from suppliers or business partner.	Events such as Christmas parties, Charity Fund Raisers or Golf Tournaments for example, for which we solicit supplier support, should be limited to donations or prizes of less than \$200 per event.	No requests are to be made.

<b>Other Situations</b>		
Personal acquisition of any service or product	Employees are not to accept any 'personal' service and/or product offers from BMO suppliers on special terms or pricing which are not otherwise available to all other BMO employees.	Any personal purchase is not acceptable at this time.
Logotype supplier clothing	Staff should not wear supplier clothing on BMO premises and in client contact situations.	Staff should not wear supplier clothing on BMO premises and in client contact situations.

**Exceptions to guidelines:**

The Senior Vice-President, Corporate Real Estate & Strategic Sourcing, must approve any exception to the foregoing guidelines.