

IRC 2017 Report to Securityholders

December 31, 2017

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for the exchange-traded funds (the “ETFs”) managed by BMO Asset Management Inc. (the “Manager”), I am pleased to provide you with the 2017 Annual Report to Securityholders of the ETFs, as required under National Instrument 81-107 – Independent Review Committee for Investment Funds.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of both the ETFs and the unitholders. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the ETFs and the unitholders.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager’s written policies and procedures relating to conflict of interest matters in respect of the ETFs, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC, whose identities are listed in the report, bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interests of both the ETFs and the unitholders are paramount when the Manager is faced with a conflict of interest matter.

Me. Louise Vaillancourt
Chair of the Independent Review Committee

Reporting Period

The Independent Review Committee (the “IRC”) for the exchange-traded funds (the “ETFs”) managed by BMO Asset Management Inc. (the “Manager”), as listed in Schedule “A” to this report, became operational on March 13, 2009. The information disclosed in this report covers the period beginning January 1, 2017 and ending December 31, 2017, the financial year-end for the ETFs (inclusively, the “Period”).

Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Louise Vaillancourt Chair of the IRC	Montréal, Québec	May 1, 2007 ¹
John K. McBride	Ottawa, Ontario	May 1, 2007 ¹
Wendy Hannam	Toronto, Ontario	March 22, 2017
Jim Falle	Port Perry, Ontario	March 22, 2017
Mark Brown	Calgary, Alberta	December 4, 2013 ²

¹ As required under National Instrument 81-107 – *Independent Review Committee for Investment Funds*, the members of the IRC were appointed first members of the IRC on May 1, 2007. The members of the IRC also served as independent trustees of the Funds organized as trusts and independent directors of the Funds organized as corporations until the IRC became operational on September 12, 2007, at which time they resigned their positions as independent trustees and directors of the Funds.

² Mark Brown served as IRC member until December 3rd, 2017.

The members of the IRC also serve as members of the IRC for BMO Mutual Funds and BMO Private Portfolios. In addition, Mark Brown serves as IRC Members for Canoe Financial Mutual Funds. Each member of the IRC is independent of the Funds, the Manager and any person or company related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member’s independence.

Holdings of Securities

Funds

As at December 31, 2017, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units and/or shares of each series of the ETFs.

Manager

The Manager is an indirect wholly-owned subsidiary of the Bank of Montreal (the “Bank”). As at December 31, 2017, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

Service Providers

As at December 31, 2017, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material person or company that provided mutual fund services to the ETFs or the Manager during the Period.

IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the ETFs and to be indemnified by the ETFs in appropriate circumstances. The aggregate compensation, including expenses, paid by the ETFs to the IRC for the Period was \$159,847. This amount was allocated among the ETFs, in an equitable and reasonable manner.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- the best interests of both the ETFs and the unitholders;
- the number, nature and complexity of the ETFs;
- the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- industry best practices, including industry averages and surveys on IRC compensation, if available,
- the IRC’s most recent annual self-assessment; and
- the Manager’s recommendations about IRC compensation and expenses, if made.

During the Period, no amounts were paid to the IRC by the ETFs pursuant to indemnities given by the ETFs to the IRC.

Conflict of Interest Matters

National Instrument 81-107 – *Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In certain cases, the IRC may also issue standing instructions to the Manager in conjunction with an approval or a recommendation to enable the Manager to act in the particular conflict of interest matter on a continuing basis.

Where standing instructions have been issued in respect of a conflict of interest matter, the Manager must present the standing instructions and its written policies and procedures on the conflict of interest matter to the IRC for the IRC's review and reaffirmation on an annual basis.

Below is a brief summary of the conflict of interest matters covered by standing instructions that have been identified by the Manager and referred by the Manager to the IRC for the IRC's approval or recommendation:

Conflict of Interest Matter

1. Voting securities held by the Funds (Proxy Voting)
2. Foreign exchange transactions with a related party
3. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment
4. Identifying and correcting net asset value (NAV) errors
5. Valuing assets of the Funds
6. Determining and authorizing the payment of fund expenses
7. Identifying and correcting trade errors
8. Best execution and trade allocation
9. Frequent trading by securityholders of the Funds
10. Large securityholders and large redemptions
11. Fund of Funds Investing
12. Monitoring services provided by portfolio managers of the Funds, including portfolio managers related to the Manager
13. Personal trading by employees of the Manager
14. Investing in debt securities of a related issuer in the secondary market and long-term debt securities of a related issuer in a primary offering
15. Investing in BMO common shares or BMO preferred shares
16. Investing in securities during the period of distribution of those securities, or during the 60-day period following the period of distribution, where BMO Nesbitt Burns Inc. (BMONBI), an entity related to the Manager, acts as an underwriter in the distribution of those securities
17. Purchasing a security from or selling a security to another investment fund managed by the Manager or an affiliate of the Manager (Inter-Fund Trades)
18. Purchasing government and/or non-government debt securities from BMONBI, who holds the debt securities as principal and/or selling government or non-government debt securities to BMONBI who purchases that debt security as principal
19. Entering into a Designated Broker Agreement with a Related Entity
20. Trading OTC derivatives with a related party

Compliance

The IRC has not been informed of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by

the IRC in its approval, recommendation and/or standing instruction. The Manager has an obligation to notify the IRC of any such instance.

Schedule "A"

BMO Exchange-Traded Funds

BMO Aggregate Bond Index ETF	BMO Mid-Term US IG Corporate Bond Hedged to CAD Index ETF
BMO Canadian Dividend ETF	BMO Mid-Term US IG Corporate Bond Index ETF
BMO China Equity Index ETF	BMO Monthly Income ETF
BMO Covered Call Canadian Banks ETF	BMO MSCI All Country World High Quality Index ETF
BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF	BMO MSCI EAFE Hedged to CAD Index ETF
BMO Covered Call Utilities ETF	BMO MSCI EAFE Index ETF
BMO Discount Bond Index ETF	BMO MSCI Emerging Markets Index ETF
BMO Dow Jones Industrial Average Hedged to CAD Index ETF	BMO MSCI Europe High Quality Hedged to CAD Index ETF
BMO Emerging Markets Bond Hedged to CAD Index ETF	BMO MSCI USA High Quality Index ETF
BMO Equal Weight REITs Index ETF	BMO Nasdaq 100 Equity Hedged to CAD Index ETF
BMO Equal Weight US Banks Hedged to CAD Index ETF	BMO Real Return Bond Index ETF
BMO Equal Weight US Banks Index ETF	BMO S&P 500 Hedged to CAD Index ETF
BMO Equal Weight US Health Care Hedged to CAD Index ETF	BMO S&P 500 Index ETF
BMO Equal Weight Utilities Index ETF	BMO S&P/TSX Capped Composite Index ETF
BMO Europe High Dividend Covered Call Hedged to CAD ETF	BMO Short Corporate Bond Index ETF
BMO Floating Rate High Yield ETF	BMO Short Federal Bond Index ETF
BMO Global Infrastructure Index ETF	BMO Short Provincial Bond Index ETF
BMO High Yield US Corporate Bond Hedged to CAD Index ETF	BMO Short-Term US IG Corporate Bond Hedged to CAD Index ETF
BMO India Equity Index ETF	BMO Ultra Short-Term Bond ETF
BMO International Dividend ETF	BMO US Dividend ETF
BMO International Dividend Hedged to CAD ETF	BMO US Dividend Hedged to CAD ETF
BMO Junior Gas Index ETF	BMO US High Dividend Covered Call ETF
BMO Junior Gold Index ETF	BMO US Put Write ETF
BMO Junior Oil Index ETF	
BMO Laddered Preferred Share Index ETF	Name Changes:
BMO Long Corporate Bond Index ETF	BMO Equal Weight Banks Index ETF (formerly BMO S&P/TSX Equal Weight Banks Index ETF)
BMO Long Federal Bond Index ETF	BMO Equal Weight Global Base Metals Hedged to CAD Index ETF (formerly BMO S&P/TSX Equal Weight Global Base Metals Hedged to CAD Index ETF)
BMO Long Provincial Bond Index ETF	BMO Equal Weight Global Gold Index ETF (formerly BMO S&P/TSX Equal Weight Global Gold Index ETF)
BMO Low Volatility Canadian Equity ETF	BMO Equal Weight Industrials Index ETF (formerly BMO S&P/TSX Equal Weight Industrials Index ETF)
BMO Low Volatility Emerging Markets Equity ETF	BMO Equal Weight Oil & Gas Index ETF (formerly BMO S&P/TSX Equal Weight Oil & Gas Index ETF)
BMO Low Volatility International Equity ETF	
BMO Low Volatility International Equity Hedged to CAD ETF	
BMO Low Volatility US Equity ETF	
BMO Low Volatility US Equity Hedged to CAD ETF	
BMO Mid Corporate Bond Index ETF	
BMO Mid Federal Bond Index ETF	
BMO Mid Provincial Bond Index ETF	

New Funds:

BMO Canadian High Dividend Covered Call ETF
BMO Global Banks Hedged to CAD Index ETF
BMO Global Consumer Discretionary Hedged to
CAD Index ETF
BMO Global Consumer Staples Hedged to CAD
Index ETF
BMO Global Insurance Hedged to CAD Index ETF
BMO High Yield US Corporate Bond Index ETF
BMO Long-Term US Treasury Bond Index ETF
BMO Mid-Term US Treasury Bond Index ETF
BMO MSCI Canada Value Index ETF
BMO MSCI EAFE Value Index ETF
BMO MSCI USA Value Index ETF
BMO Shiller Select US Index ETF
BMO Short-Term US Treasury Bond Index ETF
BMO US Preferred Share Hedged to CAD Index ETF
BMO US Preferred Share Index ETF
BMO US Put Write Hedged to CAD ETF