

## IRC 2020 Report to Securityholders

September 30, 2020

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered mutual funds managed by BMO Investments Inc. (the “Manager”), I am pleased to provide you with the 2020 Annual Report to Securityholders of the Funds, 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 the Funds. 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 Funds.

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 Funds, 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 the Funds are paramount when the Manager is faced with a conflict of interest matter.

Marlene Davidge  
*Chair of the Independent Review Committee*

## Reporting Period

The IRC for the publicly offered BMO Mutual Funds (the “Funds”) managed by BMO Investments Inc. (the “Manager”), as listed in Schedule “A” to this report, became operational on September 12, 2007. The information disclosed in this report covers the period beginning October 1, 2019 and ending September 30, 2020, the financial year-end for the Funds (inclusively, the “Period”).

## Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Marlene Davidge <i>(Chair)</i>	Toronto, Ontario	September 6, 2018
Wendy Hannam	Toronto, Ontario	March 22, 2017
Jim Falle	Port Perry, Ontario	March 22, 2017
Jacqueline Allen	Toronto, Ontario	June 6, 2018

The members of the IRC also serve as members of the IRC for certain other BMO Mutual Funds, BMO Exchange-Traded Funds, BMO Pooled Funds and BMO Private Portfolios. 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 September 30, 2020, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units and/or shares of each series of the Funds.

### *Manager*

The Manager is an indirect wholly-owned subsidiary of the Bank of Montreal (the “Bank”). As at September 30, 2020, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

## *Service Providers*

As at September 30, 2020, 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 Funds or the Manager during the Period.

## IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The aggregate compensation, including expenses, paid by the Funds to the IRC for the Period was \$130,928. This amount was allocated among the Funds, 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:

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

During the Period, no amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds 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 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 Matters

1. Investing in BMO common shares or BMO preferred shares
2. 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
3. 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
4. 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
5. 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)
6. Monitoring services provided by portfolio managers of the Funds, including portfolio managers related to the Manager
7. Voting securities held by the Funds (Proxy Voting)
8. Personal trading by employees of the Manager
9. Frequent trading by securityholders of the Funds
10. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment
11. Identifying and correcting net asset value (NAV) errors
12. Errors and breaches
13. Valuing assets of the Funds
14. Determining and authorizing the payment of fund expenses
15. Determining and authorizing the payment and allocation of income tax to BMO Corporate Class Funds
16. Large securityholders and large redemptions
17. Fund of Funds Investing
18. Best execution and trade allocation

## 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 Mutual Funds**

#### **BMO Security Funds**

BMO Money Market Fund

#### **BMO Income Funds**

BMO Bond Fund  
BMO Core Bond Fund  
BMO Core Plus Bond Fund  
BMO Crossover Bond Fund  
BMO Diversified Income Portfolio  
BMO Emerging Markets Bond Fund  
BMO Global Monthly Income Fund  
BMO Global Multi-Sector Bond Fund  
BMO Global Strategic Bond Fund  
BMO Monthly Income Fund  
BMO Mortgage and Short-Term Income Fund  
BMO Preferred Share Fund  
BMO Tactical Global Bond ETF Fund  
BMO U.S. High Yield Bond Fund  
BMO World Bond Fund

#### **BMO Growth Funds**

BMO Asset Allocation Fund  
BMO Canadian Equity ETF Fund  
BMO Canadian Equity Fund  
BMO Concentrated Global Equity Fund  
BMO Concentrated U.S. Equity Fund  
BMO Covered Call Canada High Dividend ETF Fund  
BMO Covered Call Canadian Banks ETF Fund  
BMO Covered Call Europe High Dividend ETF Fund  
BMO Covered Call U.S. High Dividend ETF Fund  
BMO Dividend Fund  
BMO European Fund  
BMO Global Balanced Fund  
BMO Global Dividend Fund  
BMO Global Equity Fund  
BMO Global Infrastructure Fund  
BMO Growth Opportunity Fund  
BMO International Equity ETF Fund  
BMO International Equity Fund  
BMO Low Volatility Canadian Equity ETF Fund  
BMO Japan Fund  
BMO Low Volatility U.S. Equity ETF Fund\*  
BMO Multi-Factor Equity Fund  
BMO North American Dividend Fund  
BMO SIA Focused Canadian Equity Fund  
BMO SIA Focused North American Equity Fund  
BMO Sustainable Opportunities  
Canadian Equity Fund\*

### **BMO Growth Funds (cont'd)**

BMO Sustainable Opportunities Global Equity Fund  
BMO Tactical Balanced ETF Fund  
BMO Tactical Dividend ETF Fund  
BMO Tactical Global Asset Allocation ETF Fund  
BMO Tactical Global Equity ETF Fund  
BMO Tactical Global Growth ETF Fund  
BMO U.S. Dividend Fund  
BMO U.S. Equity ETF Fund  
BMO U.S. Equity Fund  
BMO U.S. Equity Plus Fund  
BMO Women in Leadership Fund

#### **BMO Equity Growth Funds**

BMO Canadian Small Cap Equity Fund  
BMO Emerging Markets Fund  
BMO Precious Metals Fund  
BMO Resource Fund  
BMO U.S. Small Cap Fund

#### **BMO ETF Portfolios**

BMO Fixed Income ETF Portfolio  
BMO Income ETF Portfolio  
BMO Conservative ETF Portfolio  
BMO Balanced ETF Portfolio  
BMO Growth ETF Portfolio  
BMO Equity Growth ETF Portfolio

#### **BMO U.S. Dollar Funds**

BMO USD Income ETF Portfolio\*  
BMO USD Conservative ETF Portfolio\*  
BMO USD Balanced ETF Portfolio\*  
BMO U.S. Dollar Balanced Fund  
BMO U.S. Dollar Dividend Fund  
BMO U.S. Dollar Equity Index Fund  
BMO U.S. Dollar Money Market Fund  
BMO U.S. Dollar Monthly Income Fund

#### **BMO Corporate Class Funds**

BMO Asian Growth and Income Class  
BMO Canadian Equity Class  
BMO Dividend Class  
BMO Global Dividend Class  
BMO Global Energy Class  
BMO Global Equity Class  
BMO Global Low Volatility ETF Class  
BMO Greater China Class  
BMO International Value Class  
BMO U.S. Equity Class

\*New funds launched during the period.

## SCHEDULE "A" (cont'd)

### BMO Corporate Class Funds (cont'd)

BMO SelectClass® Income Portfolio  
BMO SelectClass® Balanced Portfolio  
BMO SelectClass® Growth Portfolio  
BMO SelectClass® Equity Growth Portfolio  
BMO Income ETF Portfolio Class  
BMO Balanced ETF Portfolio Class  
BMO Growth ETF Portfolio Class  
BMO Equity Growth ETF Portfolio Class

### BMO LifeStage Plus Funds

BMO LifeStage Plus 2020 Fund  
BMO LifeStage Plus 2022 Fund  
BMO LifeStage Plus 2025 Fund  
BMO LifeStage Plus 2026 Fund  
BMO LifeStage Plus 2030 Fund

### BMO FundSelect® Portfolios

BMO FundSelect® Income Portfolio  
BMO FundSelect® Balanced Portfolio  
BMO FundSelect® Growth Portfolio  
BMO FundSelect® Equity Growth Portfolio

### BMO Target Education Portfolios

BMO Target Education Income Portfolio  
BMO Target Education 2025 Portfolio  
BMO Target Education 2030 Portfolio  
BMO Target Education 2035 Portfolio  
BMO Target Education 2040 Portfolio\*

### BMO Retirement Portfolios

BMO Retirement Income Portfolio  
BMO Retirement Conservative Portfolio  
BMO Retirement Balanced Portfolio

### BMO SelectTrust® Portfolios

BMO SelectTrust® Fixed Income Portfolio

### BMO Risk Reduction Funds

BMO Risk Reduction Fixed Income Fund  
BMO Risk Reduction Equity Fund

### BMO Ascent™ Portfolios

BMO Ascent™ Balanced Portfolio  
BMO Ascent™ Conservative Portfolio  
BMO Ascent™ Equity Growth Portfolio  
BMO Ascent™ Growth Portfolio  
BMO Ascent™ Income Portfolio

### BMO Sustainable Portfolios

BMO Sustainable Income Portfolio\*  
*(formerly BMO Principle Income Portfolio)*  
BMO Sustainable Conservative Portfolio\*  
*(formerly BMO Principle Conservative Portfolio)*  
BMO Sustainable Balanced Portfolio\*  
*(formerly BMO Principle Balanced Portfolio)*  
BMO Sustainable Growth Portfolio\*  
*(formerly BMO Principle Growth Portfolio)*

\*New funds launched during the period.

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