



BANK OF MONTREAL

HUMAN RESOURCES AND MANAGEMENT COMPENSATION COMMITTEE

CHARTER

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for, appointment, performance evaluation and compensation of the Chief Executive Officer and other Senior Executives; talent development, retention strategies and succession planning; philosophy and principles for compensation programs; design and decision structures for executive compensation; and share ownership guidelines. In carrying out these responsibilities, the Committee will, either directly or indirectly or through one or more subcommittees, perform the duties set out in this Charter and such other duties as may be necessary or appropriate including:

PART I

MANDATE

1.1 Talent Development and Retention Strategies

- 1.1.1 reviewing bi-annually the Bank's Human Resources Corporate Policies; and
- 1.1.2 overseeing and monitoring compensation principles and policies, talent development, retention strategies, and results.

1.2 Appointment, Performance Evaluation and Compensation of the Chief Executive Officer

- 1.2.1 recommending to the independent directors of the Board the appointment of a new Chief Executive Officer or the dismissal of the existing Chief Executive Officer;
- 1.2.2 recommending to the independent directors of the Board remedial action where necessary;
- 1.2.3 recommending to the independent directors of the Board any agreements, including those addressing retirement, termination of employment or other special circumstances, between the Bank and the Chief Executive Officer, for execution by the Committee's chair;
- 1.2.4 annually reviewing and, as appropriate, approving changes to the Chief Executive Officer's position description;
- 1.2.5 annually reviewing and, as appropriate, approving performance targets and corporate goals and objectives that are relevant to the Chief Executive Officer's compensation;
- 1.2.6 annually assessing the Chief Executive Officer's performance in meeting his or her performance targets and corporate goals and objectives;
- 1.2.7 annually assessing the "tone at the top" set by the Chief Executive Officer through his or her business ethics, conduct and integrity;

1.2.8 recommending the Chief Executive Officer's total compensation to the independent directors of the Board based upon the evaluation above; and

1.2.9 annually reviewing share holdings of the Chief Executive Officer relative to the share ownership guidelines established by the Committee, including current holdings of share-equivalent units.

1.3 Appointment, Performance Evaluation and Compensation of other Senior Executives

1.3.1 recommending to the Board, the appointment of new, or reassignment of current Senior Executives;

1.3.2 considering and, as appropriate, approving any agreements, including those addressing retirement, termination of employment or other special circumstances, including terms and conditions of appointments, between the Bank and such Senior Executives, for execution by the Chief Executive Officer;

1.3.3 reviewing and, as appropriate, approving the annual performance assessments of Senior Executives;

1.3.4 annually reviewing and, as appropriate, approving any changes to the base salaries of the Senior Executives recommended by the Chief Executive Officer, individual award allocations under annual, mid-term and long-term incentive plans and under incentive plans involving share issuances or share awards to such Senior Executives; and

1.3.5 reviewing share holdings of Senior Executives relative to the share ownership guidelines established by the Committee, including current holdings of share-equivalent units.

1.4 Succession Planning

1.4.1 annually reviewing the Bank's succession plans and contingency preparedness;

1.4.2 recommending to the Board changes to the succession plan for Senior Executive positions;

1.4.3 monitoring the progress and development of Executives in accordance with succession plans; and

1.4.4 annually reviewing the adequacy of established succession pools.

1.5 Executive Appointments, Reassignments and Terminations

1.5.1 reviewing and approving major changes to the overall organization structure of executive management;

1.5.2 recommending to the Board, the appointment of new Executives at the level of Senior Vice President and above;

1.5.3 recommending to the Board, any reassignment of current Executives at the level of Executive Vice President and above;

1.5.4 reviewing and, as appropriate, approving the early retirement or termination of Senior Executives and being informed of the early retirement or termination of other Executives;

1.5.5 reviewing the reassignment of current Senior Vice Presidents;

- 1.5.6 reviewing the appointment of any new or reassigned Vice Presidents; and
- 1.5.7 reviewing and, where appropriate, approving the list of responsible persons and assessment procedures required pursuant to OSFI Guideline E-17.

1.6 Compensation Structures

- 1.6.1 ensuring annually that compensation plans, in their design structures and application, have a clear link between pay and performance and do not encourage excessive risk taking;
- 1.6.2 annually reviewing and, as appropriate, approving changes to Executive compensation structures including compensation principles and objectives determining total compensation, desired competitive positioning and comparator groups used; and
- 1.6.3 reviewing the Bank's non-executive compensation principles and compensation structures where appropriate.

1.7 Annual, Mid-Term and Long-Term Incentive Plans for Executives

- 1.7.1 reviewing and, as appropriate, approving any new plans or design changes to existing plans (excluding plans involving share issuances or awards of shares for Executives);
- 1.7.2 reviewing and, as appropriate, approving business performance targets for incentive plan funding, and assessing performance and resulting incentive plan funding; and
- 1.7.3 reviewing and, as appropriate, approving aggregate annual base salary increases; aggregate annual pools for *ad hoc* awards; and incentive awards, to Executives (other than Senior Executives).

1.8 Incentive Plans Involving Share Issuances or Awards of Shares

- 1.8.1 reviewing new plans or designing changes to existing plans for submission to the Board; and
- 1.8.2 reviewing and, as appropriate, approving aggregate annual awards and aggregate annual pools for *ad hoc* awards for Executives (other than Senior Executives).

1.9 Benefit Plans for Executives and Pension Plans

- 1.9.1 reviewing and, as appropriate, approving any new benefit or perquisite plans or changes to existing plans for Executives;
- 1.9.2 reviewing and, as appropriate, approving the Retirement Compensation Arrangement (i.e., funded supplementary retirement arrangement) and reviewing annually its financial status, governance structure and investment strategy; and
- 1.9.3 together with the Bank's Pension Fund Society where appropriate, making recommendations to the Board on any new pension plans or changes to existing pension plans.

1.10 Share Ownership Guidelines

- 1.10.1 reviewing and, as appropriate, approving any changes to share ownership guidelines applicable to Executives; and

- 1.10.2 annually reviewing share holdings of Executives relative to the share ownership guidelines established by the Committee, including current holdings of share-equivalent units.

PART II COMPOSITION

2.1 Members

- 2.1.1 The Committee will consist of three or more directors as determined by the Board. At least a majority of the members of the Committee will be resident Canadians and not “affiliated” with the Bank for the purposes of the *Bank Act* (Canada). Each member of the Committee will be: (i) a director who is not an officer or employee of the Bank or an affiliate of the Bank; and (ii) “independent” for the purposes of applicable Canadian and United States securities laws and the New York Stock Exchange Rules.
- 2.1.2 The Board will, having considered the recommendation of the Governance and Nominating Committee, appoint the members of the Committee and the chair of the Committee annually following the meeting of the shareholders at which directors are elected each year. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of directors and increase the number of Committee members as it determines appropriate. If a member of the Committee becomes “affiliated” with the Bank for the purposes of the *Bank Act* (Canada), the member may continue as a member of the Committee with the approval of the Governance and Nominating Committee, in consultation with the Bank’s Executive Vice-President and General Counsel. Any member of the Committee may be removed or replaced at any time by the Board.
- 2.1.3 In addition to any orientation provided by the Governance and Nominating Committee, the chair of the Committee will provide orientation to new members of the Committee with respect to their duties and responsibilities as members of the Committee. All members of the Committee will have, or acquire within a reasonable period of time following their appointment, a thorough understanding of issues related to human resources and compensation with particular emphasis on executive compensation and will continually update their understanding. The Committee may invite other directors as needed to acquire additional specific skills as required to carry out its mandate, such as risk expertise.

PART III COMMITTEE PROCEDURE

3.1 Meetings

- 3.1.1 The Committee will meet as frequently as it determines necessary but not less than four times per year. Meetings may be called by the chair of the Board, the chair of the Committee or any two members of the Committee. The chair of the Committee must call a meeting when requested to do so by any member of the Committee.
- 3.1.2 Notice of the time and place of each meeting of the Committee, other than an *ad hoc* meeting, will be given to each member not less than 48 hours before the time when the meeting is to be held. A quorum of the Committee will be a majority of its members. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present and at which a majority of the members present are resident Canadians in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each member is entitled to one vote in Committee proceedings.
- 3.1.3 Notice of the time and place of *ad hoc* meetings will be given to each member not less than two hours before the time when the meeting is to be held. Where a quorum of members of the Committee is not available for such a meeting, the secretary of the Committee will call upon such other members of the Board as are required to achieve the Committee's quorum requirements.
- 3.1.4 The chair will preside at all meetings of the Committee at which he or she is present and will develop the agenda for each Committee meeting. The agenda for each meeting of the Committee, other than an *ad hoc* meeting, will be delivered together with such other materials as the chair determines necessary, to each member of the Committee at least 48 hours prior to the meeting. The chair will designate from time to time a person who may, but need not be, a member of the Committee, to be secretary of the Committee. Minutes will be kept of all meetings of the Committee and will be maintained by the secretary of the Committee.
- 3.1.5 The procedure at meetings is to be determined by the Committee unless otherwise determined by the By-Laws of the Bank, by a resolution of the Board or by this Charter.
- 3.1.6 The Committee will meet before and after each meeting with only members of the Committee present. The Committee may invite any director, officer or employee of the Bank or the Bank's counsel or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

3.2 Reports

- 3.2.1 The Committee will report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board at the Board's next meeting. The Committee will make such recommendations to the Board as it may deem appropriate and will have such decision-making authority as the Board may determine from time to time. The Committee will monitor major regulatory developments, significant shareholder initiatives and requirements related to executive compensation, assess the impact of

changes in regulatory requirements on disclosure, and review and approve the report of the Committee and all other executive compensation disclosure to be included in the Bank's information circular and such other reports relating to the activities of the Committee as may be required by the Bank or the Board from time to time.

3.3 Delegation of Authority

- 3.3.1 The Committee may delegate to the Chief Executive Officer the authority to exercise any right, power or responsibility that the Committee may have under any of the plans referred to above, other than in respect of Senior Executives, on such terms and conditions and within such limits as the Committee deems appropriate provided that the Chief Executive Officer subsequently advises the Committee of any right, power or responsibility so exercised by the Chief Executive Officer.

3.4 Access to Management and Outside Advisors and Continuing Education

- 3.4.1 The Committee will have full, free and unrestricted access to management and employees. The Committee has the authority to engage independent legal counsel, consultants or other advisors, with respect to any issue or to assist it in fulfilling its responsibilities without consulting or obtaining the approval of any officer of the Bank and the Bank will provide appropriate funding, as determined by the Committee, for any advisors employed by the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. For greater certainty, the Committee will have the sole authority to retain and terminate any consulting firm used to assist in evaluating the performance and determining the compensation of the Chief Executive Officer or other Executives. The Committee will review and approve all engagements between the Committee's advisors, legal counsel or consultants and the Bank or its subsidiaries and material entities over which the Bank has significant influence; and
- 3.4.2 The Committee will have access to continuing education programs to assist the Committee in fulfilling its responsibilities and the Bank will provide appropriate funding for such programs.

3.5 Annual Review and Assessment

- 3.5.1 The Committee will conduct an annual review and assessment of its performance and effectiveness, including a review of its compliance with this Charter, in accordance with the process developed by the Board's Governance and Nominating Committee and approved by the Board. The Committee will conduct such review and assessment and report the results to the Board's Governance and Nominating Committee.
- 3.5.2 The Committee will also review and assess the adequacy of this Charter on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship, and, if appropriate, will recommend changes to the Board's Governance and Nominating Committee.

3.6 Definitions

“**Bank**” means Bank of Montreal;

“**Board**” means the Board of Directors of Bank of Montreal;

“Committee” means the Human Resources and Management Compensation Committee;

“Senior Executives” means a senior officer who is a head of a principal business group or function of the Bank or who performs a policy making function for the Bank, and who reports to the Chief Executive Officer; and

“Executives” means the Senior Executives and the Vice Presidents, Senior Vice Presidents, Executive Vice Presidents and Senior Executive Vice Presidents of the Bank or those at an equivalent level in a subsidiary or affiliate of the Bank.