

Statement of Corporate Governance Practices

At a glance

- Our high corporate governance standards reflect emerging best practices and meet or exceed applicable legal, regulatory, Toronto Stock Exchange (“TSX”), New York Stock Exchange (“NYSE”) and NASDAQ requirements
- We monitor regulatory changes and best practices in corporate governance to ensure we have leading governance practices
- BMO was awarded the Governance Professionals of Canada’s 2019 Governance Award for Best Practices in Subsidiary Governance for the third consecutive year

Overview

Good corporate governance is important – to our Shareholders, our customers, our employees, the communities we operate in – and to us. Being clear about our expectations around governance supports ethical conduct and allows us to do a better job running our business, and complying with the laws and standards that apply to us.

Good governance starts with our Board of Directors (“Board”). We get the Board composition and structure right by having well-informed people with diverse backgrounds, relevant experience, and independence from management. We gain from their expertise and pay them fairly in return. Directors serve on committees that specialize in key areas: audit and conduct review, governance and nominating, human resources, and risk review.

This document communicates our corporate governance practices to you, our Shareholder, as at February 6, 2020.

CORPORATE GOVERNANCE			
Size of the Board	15*	Director Tenure Policy	✓
Number of independent directors	14*	Directors’ Conflict of Interest Policy	✓
All committee members are independent	✓	Board and Committee Chair term limits	✓
Directors are elected annually	✓	Director Share Ownership Guidelines	✓
Directors are elected individually (no slate voting)	✓	New Director Orientation	✓
Majority Voting Policy for the election of directors	✓	Continuing Director Development	✓
Annual advisory vote on approach to executive compensation	✓	Regular assessments of the Board and its committees	✓
The roles of Board Chair and CEO are separate	✓	Code of Conduct rooted in our values	✓
Policy on Interlocking Directors	✓	Legal Entities Report and leading subsidiary governance practices	✓
Directors cannot hedge their BMO securities	✓	Non-executive directors cannot participate in BMO stock option plans	✓
		Proxy Access Policy	✓

* The size of the Board will be 12 with 11 independent directors following the 2020 Annual Meeting of Shareholders, subject to shareholder approval.

I. Board Structure

At a glance

- Our Board’s role is to do what is in the best interests of the Bank, through a rigorous approach to accountability, performance and corporate governance
- Regular assessment of the Board helps ensure it has the appropriate number of members and diverse expertise to make effective decisions
- The Board annually reviews written position descriptions for the Chair of the Board (“Chair”), the Chief Executive Officer (“CEO”), committee chairs, and directors

Role of our Board

The Board provides stewardship, including direction-setting and general oversight of the Bank's management and operations to do what is in the best interests of the Bank. The Board's Mandate, set out on pages 49 and 50, outlines its general responsibilities. The Board Approval/Oversight Guidelines define its roles and responsibilities, plus those of management, and also specify accountability within the Bank. The *Bank Act* (Canada) requires certain important matters, such as approval of financial statements and dividends, be approved by the Board and not delegated to Board committees.

The Board oversees subsidiary operations, with the Governance and Nominating Committee receiving and reviewing an annual report of the Bank's legal entity structure.

The Governance and Nominating Committee defines our approach to corporate governance. This committee reviews our corporate governance framework, guidelines and practices to ensure they meet or exceed industry and Shareholder expectations, the regulatory environment, and best practices.

Composition of our Board

The Board considers its size annually, while the Governance and Nominating Committee does so regularly. At the beginning of 2020, there were 15 directors on the Board. Factors that are considered in determining Board size include the ability to ensure a high level of engagement of Board members, a high quality of discussion with management, the calibre and scope of its members' expertise, thoughtful director succession, and the ability to ensure Board committees have sufficient members and the required expertise. The Board has adopted a written Board Diversity Policy to facilitate more effective governance. In so doing, the Board positions itself to be made up of highly qualified directors whose diverse backgrounds reflect the changing demographics of the markets in which the Bank operates, the talent available with the expertise required, and the Bank's evolving customer and employee base. A diverse Board helps us make better decisions. The Board Diversity Policy includes the goal that each gender comprise at least one-third of the independent directors, and the Governance and Nominating Committee considers this when undertaking the process of recruiting new Board members. The Board believes a relatively smaller Board size is more effective, while recognizing the need to maintain flexibility to address certain needs or opportunities as they arise. Twelve of the current 15 directors will stand for election at the 2020 Shareholder meeting. The Board believes the Board's proposed size of 12 directors is appropriate and effective. The Board currently has five women directors, representing 45% of the independent directors standing, and 41% of all Directors, for election.

Directors are elected for a term of one year. Between Annual Shareholder meetings, the Board may appoint additional directors. The Board believes that its membership has the expertise, skills, geographic representation, gender diversity, and size to make effective decisions and staff Board committees appropriately.

Key Position Descriptions

The Board reviews and approves position descriptions (available on our website) annually for the Board Chair, committee chairs, and directors. The Board also develops the position description for the CEO, with the CEO's input, which is approved annually by the Human Resources Committee.

II. Independence

At a glance

- *All nominees standing for election at the annual meeting of Shareholders are independent and unaffiliated, except Darryl White, CEO*
- *The independent Chair allows the Board to operate independently of management and provides leadership to the independent directors*
- *In camera sessions, attended only by the independent directors, are held at every Board meeting and every committee meeting*

Director Independence

The Board believes that it must be independent of management to be effective. The Board has adopted Director Independence Standards (“Standards”) to assess whether a director is independent. The Standards take into consideration the definition of affiliated persons under the *Bank Act* (Canada) and definitions of independence from the Canadian Securities Administrators (“CSA”), NYSE, and NASDAQ. The Standards are available on our website.

The Board, with help from the Governance and Nominating Committee, uses the Standards to assess personal, business, and other relationships and dealings between directors and the Bank and between directors and the Bank’s affiliates. The Board considers biographical material, reports, and questionnaires completed by directors as well as Bank records and reports, and information on entities with which the directors are involved. The Board considers these relationships keeping in mind both the importance to the Bank and the importance to, and impact on, the people and organizations with which the director has relationships.

The Board considers a director independent if he or she does not have a material relationship with the Bank or any of its affiliates that could interfere with his or her exercise of independent judgment. Certain relationships (for example, being an officer of the Bank) automatically mean a director is not independent. The threshold for independence is higher for members of our Audit and Conduct Review Committee, as the CSA and NYSE require.

Darryl White has a material relationship with the Bank because he is the Bank’s CEO. Under the *Bank Act* (Canada), the Bank’s CEO must be a member of the Board. All other directors and nominees standing for election to the Board on March 31, 2020 are independent and unaffiliated. The Board’s policies limit the number of inside directors to two.

All members of the Audit and Conduct Review Committee meet the applicable additional Canadian and U.S. independence requirements for membership on public company audit committees. While the Bank has lending, banking, and other commercial arrangements with some of the directors and entities they have relationships with, the Board is satisfied that those directors are independent under the Standards.

Information on the director nominees standing for election is on pages 13 to 18, which includes other public company boards on which they serve, the value of their equity holdings in the Bank, and their attendance record for all Board and committee meetings in fiscal 2019.

Board Interlocks and Outside Board Memberships

The Governance and Nominating Committee monitors the outside boards on which our directors serve to determine if there are circumstances that would impact a director’s ability to exercise independent judgment and to confirm each director has enough time to fulfill his or her commitments to us. An interlock occurs when two or more Board members are also fellow board members of another public company. The Board has adopted a policy that no more than two directors may serve on the same public company board without the prior consent of the Governance and Nominating Committee. In considering whether or not to permit more than two directors to serve on the same board, that committee takes into account all relevant considerations including, in particular, the total number of Board interlocks at that time.

The only Board interlock is between George Cope and Sophie Brochu, who are both directors of CGI Inc. The Board has determined this relationship does not impair the exercise of independent judgment by these Board members.

The following table sets out interlocking board memberships of the Bank’s directors.

Company Name	Director	Committee Membership (at other public company)
CGI Inc.	Sophie Brochu	Corporate Governance Committee
	George Cope	Corporate Governance Committee, Human Resources Committee

Independent Board Chair

The roles of Board Chair and CEO are separate. The Chair manages the Board’s affairs to ensure that the Board functions effectively and meets its obligations and responsibilities, including

responsibilities to Shareholders. The position description for the Chair, available on our website, sets out the Chair's key responsibilities, which include setting Board meeting agendas in consultation with the CEO and Corporate Secretary and chairing all Board meetings.

The Chair provides leadership to the directors and helps ensure the Board is independent from management. Each Board meeting includes time for independent directors to meet without management present. During those meetings, the Board Chair will lead discussions on matters that arise during the meeting or other matters, including matters related to succession planning, risk management and strategy. Every Board committee meeting also has a scheduled session without management present.

The Governance and Nominating Committee establishes, initiates and monitors the Chair succession process based on corporate governance best practice. This process is led by the current Chair or, if he or she is being considered for reappointment, the Chair of the Governance and Nominating Committee. The process includes identification of issues facing the Bank, individual consultations with all directors, as well as determination of the most appropriate process for the Board to make a final decision, which may involve deliberation and a vote if there is more than one person with significant support. Under current Bank policies, the normal term for the role of Chair is five years with a possibility of renewal for up to three more years. The Board conducted, since August 2018, a careful and deliberative succession process leading to the unanimous endorsement of George A. Cope as the next Chair.

Other Independence Mechanisms

The Chair and each committee can engage outside consultants, paid for by the Bank, without consulting management. This helps ensure they receive independent advice as they feel necessary. Also, none of our Audit and Conduct Review Committee members may serve on more than three public company audit committees without Board approval.

III. Orientation and Continuing Education

At a glance

- *New directors learn about our business through BMO's director orientation program, including one-on-one meetings with the heads of each of our principal business groups and corporate functions*
- *The Governance and Nominating Committee is responsible for directors' continuing education*

Director Orientation

The Governance and Nominating Committee is responsible for orienting and educating new directors. The orientation program's purpose is to (i) provide new directors with the information necessary to understand the financial industry and board operations; (ii) provide new directors with the historical background of the Bank, including the current issues and opportunities BMO Financial Group is facing; and (iii) facilitate a smooth transition for new directors into their roles as Board members. Upon joining the Board and as soon as possible within the first six months following appointment/election, new directors are provided an orientation by the Chair of the Board, the chairs of the Board committees (as applicable) and the CEO to gain an understanding of the Bank's history, culture, current status and strategic direction, including how the Bank differs from its competitors. New directors also receive orientation material explaining our structure, director governance information, compliance requirements for directors, and corporate policies. The material provided also includes our bylaws, recent public disclosure documents, and agendas and minutes for Board and committee meetings for the preceding 12 months. New directors meet individually with the heads of each of our principal business groups and corporate functions to learn about our business.

Each Board committee also has an orientation program. New Board committee members receive orientation material for each committee on which they serve. New members also have individual meetings with the committee chair and the head of the supporting corporate group, as well as with other senior officers (as applicable).

Continuing Director Development

The Governance and Nominating Committee is responsible for the continuing education and development of our directors. Directors receive presentations on Bank operations throughout the

year. They also receive materials and reading recommendations from the Chair, committee chairs, the CEO, and the Corporate Secretary. Topics include corporate governance, executive compensation, financial reporting and strategy, succession planning, key accounting considerations, risk assessment, technology, cyber security and disclosure, and Canadian and U.S. securities law developments and global regulatory developments. Directors are also encouraged to participate in relevant external education seminars at our expense.

The Chair of the Governance and Nominating Committee, in conjunction with the Corporate Secretary, identifies relevant and timely information to complement and enhance the Directors' understanding of the Bank, its products and services and the risks it faces, as well as developments in corporate and risk governance and regulatory matters. Continuing education and development of our directors in 2019 is summarized on pages 20 to 23. Directors identify their specific continuing education needs in discussions with management, the Board and committees. Committee meeting minutes are also provided to all directors who are not on the committee.

In addition, Board dinner sessions are scheduled along with regularly scheduled Board meetings to further our governance objectives by strengthening the collegial working relationship among directors and senior management. These dinner sessions are also used to hold educational sessions on important topics for the Bank's business and strategic direction.

IV. Strategic Planning and Risk Oversight

At a glance

- *Our enterprise-wide strategy is developed by management. The Board oversees the strategic planning process and reviews and approves our strategic plans*
- *The annual strategy session provides a forum for directors to give management constructive feedback on strategic plans, as do the related updates provided to the Board throughout the fiscal year*
- *We are guided by an integrated risk management framework that is embedded in our daily business activities and planning process. The Risk Review Committee of the Board reviews our risk management framework on a regular basis*

Strategic Planning

The Board provides governance and oversight to strategic planning at BMO and oversees the execution of the strategies. In this capacity, the Board reviews and approves our strategic plans, including key priorities, opportunities, risks, competitive position, financial projections and other key performance indicators for each of our principal business groups and our technology & operations function. The Board in conjunction with the strategies also reviews and approves the Bank's Business and Capital Plan. The full Board is responsible for strategic planning related to technological innovation, enterprise data, analytics, AI strategies and governance, cyber security and digitech partnerships.

The Board has an annual strategy session that includes Management, where there are discussions on: the existing strategy and any changes to it, resulting from both internal and external factors; any new strategic priorities that could provide opportunity for growth; risks relating to the current and future strategy; and, the financial impact of the recommended strategy. The session helps directors better appreciate planning priorities and progress made on strategic plans. Directors give management constructive feedback on our strategic plans and the strategy session itself. At the conclusion of this annual strategy session, the Board approves the Bank's strategic plan.

Directors receive updates on the progress of our strategic plans, including those for each principal business group, throughout the fiscal year.

Risk Oversight

Our enterprise-wide risk management framework, approved by the Board, is comprised of a governance structure that includes a robust committee structure and a comprehensive set of corporate policies, which are approved by the Board or its committees, together with supporting corporate standards and operating guidelines. This enterprise-wide risk management framework is governed through a hierarchy of management committees and individual responsibilities. All

elements of our risk management framework are reviewed on a regular basis by the Risk Review Committee of the Board to provide effective guidance for the governance of our risk-taking activities. See pages 34 and 45 for information on the responsibilities of the Risk Review Committee. Further information on our risk management framework, including the risk oversight responsibilities of the Board and its committees, our risk appetite, risk policies and limits, is set out in our 2019 Annual Report to Shareholders under the heading Enterprise-Wide Risk Management on pages 68 to 106 of our Management's Discussion and Analysis for the fiscal year ended October 31, 2019 (available on our website).

V. Subsidiary Governance

At a glance

- We have a Subsidiary Governance Office ("SGO") dedicated to identifying and implementing best-in-class subsidiary governance practices
- Our subsidiary governance framework is a critical tool for risk management
- Our subsidiary governance practices assist the parent company board with its oversight of the activities of the subsidiaries and the enterprise's organizational structure
- BMO was awarded the Governance Professionals of Canada's Excellence in Governance Award for Best Practices in Subsidiary Governance in each of 2017, 2018 and 2019

Risk Management

BMO had 198 subsidiaries in 26 jurisdictions as at October 31, 2019. Effective subsidiary governance is important to us. It is a critical risk management tool. Our subsidiary governance framework applies globally and consists of: (i) a legal entity framework, (ii) assessments of the governance requirements of each subsidiary; and (iii) legal entity reporting to the Governance and Nominating Committee. The Legal Entity Manual captures a set of procedures to establish, operate and dissolve legal entities. Subsidiary boards have structures that comply with the governing law of the subsidiary, and are composed of executives as management directors, and include qualified independent non-executive directors where required by law or regulator preference. Directors of subsidiary boards are nominated based on their independence from the business and on board skills matrices approved by the subsidiary board. Under the Legal Entity Manual, each subsidiary is assessed as to its complexity based on criteria which include: size of assets, whether the subsidiary is operating, client-facing and/or regulated, and then placed into one of four categories of ascending degrees of governance. The operating directive creates uniform governance best practice, ensures proper oversight of each legal entity, and promotes thoughtful, effective and efficient processes around governance and clarifies the roles and responsibilities of the directors, officers and corporate units. The subsidiary's corporate secretary works with the subsidiary board to implement the governance tools that are appropriate for the subsidiary and for the Bank. The governance tools and board procedures are aligned with those of the parent board.

Parent Company Oversight

The SGO supports the BMO board's oversight of the activities of the subsidiaries and the enterprise's organizational structure. The controls adopted ensure that accurate information is provided to the parent board. For example, the SGO provides the Governance and Nominating Committee with an annual Legal Entities Report that includes information on:

- The structure of the subsidiary boards;
- Statistics on subsidiaries by operating group, jurisdiction and assets;
- The location of branches, representative offices and agencies;
- Subsidiaries created, renamed, amalgamated and dissolved within the reporting period, with an explanation of the action; as well as
- Spotlight information on relevant topics such as the background of non-executive directors, and the oversight of the Bank's branches.

Our Board Approval and Oversight Requirements Policy and related guidelines require certain subsidiary related information to be escalated to a senior management committee or to the Bank's board.

Parent board oversight over the activities of the subsidiaries also occurs through business reporting, which includes deep dives on line of business and legal entity activities, with linkage to the overall business strategy. In addition, there are regular communications between the Chairs of the parent and US holding company board committees.

VI. Ethical Business Conduct

At a glance

- *Our Code of Conduct is rooted in our values and outlines our expectations for ethical behaviour*
- *We support an ethical culture by providing an environment where concerns can be raised without fear of retaliation*
- *BMO was named one of the World's Most Ethical Companies by the Ethisphere Institute in 2020 for the third consecutive year*

Code of Conduct and Ethics

BMO's Code of Conduct, rooted in our values, outlines our expectations for ethical behaviour. The Code applies to all officers, employees and directors and is approved by the Board. In addition to mandatory officer and employee training every year, all officers, employees and directors must confirm that they have read, understood, complied and will continue to comply with the Code. The Chief Ethics and Conduct Officer is responsible for ensuring that awareness and understanding of ethical business principles are embedded in all aspects of our business and reports to the Audit and Conduct Review Committee of the Board on the state of ethical conduct in the organization.

A key element to fostering an ethical culture is providing a "Speak Up" environment where concerns can be raised without fear of retaliation. We support this and provide various resources for employees to raise concerns. We offer employees the option of reporting potential violations through a secure, confidential and, if desired, anonymous third party service.

The Board has also implemented whistleblower procedures for officers, employees and other stakeholders to confidentially and anonymously report concerns about accounting, internal accounting controls, or auditing matters. All concerns are investigated and breaches of the Code are dealt with expeditiously.

Insider Trading Policies

BMO has controls and safeguards to monitor personal trading of executive officers and other officers and employees in key positions for insider trading. All officers and employees covered by our insider trading policies are required to disclose trading accounts to BMO's compliance group to make arrangements to ensure that all trading activity in these accounts may be monitored. In addition, those officers and employees covered by these policies are required to pre-clear any securities trade with the Bank's compliance group. BMO's policies restrict directors, executive officers and certain other employees from personal trading in BMO securities during blackout periods that precede the release of BMO's financial results. These restrictions are referred to as the BMO Windows Trading Program.

Director Conflict of Interest Policy

To ensure ethical and independent decision-making by the Board, we have a Directors' Conflict of Interest Policy that provides general guidelines on conflicts of interest and related obligations to the Board should one arise. We also have a protocol to identify and deal with director conflicts of interest. Directors or executive officers with a material interest in a matter do not receive related Board or committee materials, and are not present for any related discussion or vote.

VII. Directors – Becoming a Director, Serving as a Director, Assessment, and Resignation Policy

At a glance

- *Shareholders vote for individual directors – not for a slate of candidates – and directors who do not get a majority of votes must offer to resign*
- *Directors must offer to resign if they do not attend at least 75% of meetings of the Board and committees on which they serve*
- *Individual directors evaluate the Board, its committees, and each other*
- *The Governance and Nominating Committee uses the results of these assessments to recommend the mix of directors, process improvements, and continuing education opportunities*
- *Directors must hold eight times their annual cash retainer in Shares or deferred share units*
- *Directors cannot hedge their Shares or other securities*

Becoming a Director – Nomination and Election of Directors

The Governance and Nominating Committee decides what skills and competencies the Board requires, assesses the skills of current Board members and identifies and recommends suitable director candidates, with the assistance of professional search firms as needed. We believe our directors should have the highest personal and professional ethics and integrity and be committed to serving the interests of the Bank, our Shareholders and other stakeholders. The Governance and Nominating Committee assesses the need for skills to manage the Bank's risks and opportunities. This assessment helps determine if the Board needs new directors. In keeping with the Board's Diversity Policy, potential candidates are screened for several attributes including ethics and integrity, range of experience, good business judgment, areas of expertise, personal skills and qualities, gender, age, ethnicity and geographic background. Professional search firms are provided with these attributes as an essential element of their search mandates, as applicable. The Governance and Nominating Committee also takes into consideration possible conflicts, and the candidate's ability to devote sufficient time and commitment as a director. The Board has set a goal that each gender comprise at least one-third of the independent directors.

The policy on majority voting to elect directors is described on page 5 and is available on our website. See page 24 for a skills matrix setting out the skills and expertise of each of the nominee directors standing for election at the 2020 Shareholder meeting.

Board Tenure

The nominee non-employee directors on the Board average 7 years of service on the Board. Service ranges from 18 months to 16 years.

The Board approved a new approach to its Director Tenure Policy in 2009, as refined in 2011, 2013, 2015 and 2016, to ensure ongoing Board renewal, sustain Board performance, and add expertise. Directors who joined the Board prior to January 1, 2010 may serve until the earlier of when they turn 70 years of age or they have served 20 years. Directors who joined the Board on or after January 1, 2010, may serve until the earlier of when they turn 70 years of age or they have served 15 years. However, all directors will be allowed to serve for at least ten years, regardless of their age. In addition, the Chair may serve a full five year term as Chair, regardless of his or her age or how long he or she has been on the Board, and his or her term may be renewed for up to three more years. The Board has also approved term limits for the chairs of its committees – for committee chairs appointed after December 31, 2014, the normal term is five years with a possibility of renewal for up to three more years. In exceptional circumstances, to further the best interests of the Bank, the Board may on an annual basis decide in individual cases to waive the term and/or age limits stated above for directors, the Board Chair and committee chairs.

An officer will resign from the Board when no longer employed by the Bank. However, the Board may request a former CEO to continue as a director for a term not longer than two years.

Expectations and Responsibilities of Directors

Directors must devote sufficient time and energy to their role as a Bank director to effectively discharge their duties to the Bank and the Board. Directors are expected to review meeting materials in advance of meetings to facilitate discussion and to probe and, as appropriate, challenge management, while making informed business judgments and exercising oversight. Board meeting dates are established well in advance and directors are expected to be prepared for and to attend all required meetings. Annually, directors must attend at least 75% of all meetings of the Board and the committees on which they serve or offer to resign at the end of the fiscal year.

Director Compensation

The Governance and Nominating Committee annually reviews and benchmarks directors' compensation against the Bank's competitors to ensure it is competitive and consistent with the responsibilities of directors. A flat fee structure was adopted in fiscal 2012 (see page 25 for further information about our director compensation philosophy). Directors' compensation is disclosed on pages 25 and 26.

The Board approved amendments to the director share ownership guidelines, effective October 25, 2011, in conjunction with the adoption of its flat fee structure. Each non-employee director must hold at least eight times the cash retainer portion of his or her annual fee in either Shares or deferred share units. Newly appointed board members would be expected to build up the minimum share ownership requirement over time, which is accelerated by all remuneration being required to be paid in DSUs or in Shares until the requirement is met. At February 6, 2020, all non-employee

directors met the minimum share ownership requirements. Directors' current Share and deferred share unit holdings are listed in their respective profiles on pages 13 to 18.

The Board has adopted a policy prohibiting directors, senior executive officers and employees of the Bank from hedging their economic interest in Bank Shares, securities or related financial instruments.

Assessment of the Board, Committees, Directors, and Chairs

Each director annually completes an anonymous Board self-assessment survey, the results of which are compiled confidentially by an outside consultant, and has an annual one-on-one interview with the Chair. The interview typically covers the operation of the Board, the adequacy of information provided to directors, Board structure, agenda planning for Board meetings, and strategic direction and process. The Board uses a skills matrix (see page 24) to review the skills of directors and the Board as a whole. The matrix outlines skills and experience based on broad categories relating to business and management skills and capabilities.

Each Board committee is separately evaluated through the annual survey. The assessment process is similar to that for the Board. It includes each director's views on the operation of the committees, the adequacy of information provided to committee members, and agenda planning for committee meetings, taking into account the relevant committee charters.

The annual survey also includes a peer evaluation process for feedback on the effectiveness of individual directors. Every director assesses the contribution of each of their peers relative to the performance standards for the director position description. The results are also compiled confidentially by an outside consultant. The Chair receives the results of each director's peer assessment and meets with each director to discuss them.

The Governance and Nominating Committee assesses the Chair's performance annually, with input from each director, taking into account the position description. The results are reviewed with the Board and the Chair.

The contribution and effectiveness of each committee's chair are assessed annually against their respective committee objectives and the standards of their respective position description. The Chair discusses the results with each committee chair individually.

The Governance and Nominating Committee monitors and tracks progress of improvement opportunities identified through the self-assessment process, and the Board and its committees continuously refine various aspects of their practices as a result of the assessments. For example:

(i) each year, issues are identified which help with creating annual objectives for the Board, (ii) these objectives are set out at the beginning of each Board package and are discussed at each Board meeting in order to see whether it is making progress in meeting them, and (iii) the assessments inform the Board's meeting agenda, as well as the agendas of the Board's committee meetings.

Resignation Policy

Directors must offer to resign if they:

- change their principal occupation,
- fail to receive a majority of votes for election at an uncontested Shareholder meeting, or
- fail to meet the annual 75% meeting attendance requirement.

The Governance and Nominating Committee will recommend to the Board whether to accept or reject the resignation, unless the resignation is a result of failing to achieve a majority vote at an annual shareholder meeting, in which case it will be accepted absent exceptional circumstances.

VIII. Committees of the Board

At a glance

- *The Board's four committees each consist entirely of independent directors*
- *The roles and responsibilities of each committee are set out in formal written charters (available on our website)*

The Audit and Conduct Review Committee—oversees the integrity of our financial reporting, the effectiveness of our internal controls (including internal control over financial reporting), disclosure controls and procedures, our compliance with legal and regulatory requirements and the organizational structure, resources and effectiveness of the finance, legal & regulatory compliance and anti-money laundering functions. This committee also reviews and assesses the qualifications, independence, and performance of the Shareholders' auditors.

It sets standards of ethical business conduct for directors, senior management, and employees. It approves the *Sustainability Report* (formerly known as the *Environmental, Social and Governance Report*) & *Public Accountability Statement* and oversees sustainability governance. It oversees procedures for complying with self-dealing provisions of the *Bank Act* (Canada). It also monitors consumer protection measures and procedures for dealing with customer complaints, plus the use and disclosure of personal customer and employee information.

In addition to being independent, each member of the Audit and Conduct Review Committee is financially literate, as defined in CSA, SEC, and NYSE rules or standards. Jan Babiak, Linda Huber and Philip Orsino are Audit Committee Financial Experts as defined by SEC rules. Definitions of “financially literate” and “Audit Committee Financial Experts” are found in the Audit and Conduct Review Committee Charter (available on our website).

See pages 29 and 30 for a report on this committee’s membership and activities in 2019. Additional Information respecting this committee is set out in our 2019 Annual Information Form under “Audit and Conduct Review Committee Information”.

The Governance and Nominating Committee—develops governance principles and guidelines for the Board and the Bank. It identifies and recommends candidates for election or appointment to the Board, and reviews our process for orienting and assessing the Board, its committees, and directors. This committee also reviews Shareholder proposals and recommends appropriate responses. Each year, the Governance and Nominating Committee reviews all Board committee charters, position descriptions, and the Board’s mandate to confirm that they meet or exceed all regulatory requirements and best practices.

See pages 31 and 32 for a report on this committee’s membership and activities in 2019.

The Human Resources Committee—helps the Board fulfill its oversight duties for the appointment, evaluation, compensation and succession planning of the CEO and other senior executives. It oversees the Bank’s strategy for attracting, retaining and developing high quality leaders at all levels with the capabilities to execute the Bank’s strategic goals. This committee has oversight over the philosophy and principles of compensation programs, the design and application of material compensation programs, and share ownership guidelines. This committee is responsible for overseeing that the Bank’s material compensation programs meet the Bank’s compensation principles and risk profile and do not encourage excessive risk-taking.

The Human Resources Committee works with a full-time executive responsible for talent strategies. It annually reviews succession planning for the CEO and all senior executives. This includes a thorough review of potential successors’ capabilities and development plans. This committee also annually reviews the in-depth talent and succession report for the entire executive group. This assessment, which includes roundtable talent assessments of the Bank’s executives, also details the current and projected leadership demographics, vacancy risks and capabilities and readiness of the successor pool. This committee also reviews detailed reporting on the profile, capabilities and development planning of the Bank’s emerging leaders against the projected executive needs of the Bank. In addition, the Human Resources Committee assesses the enterprise’s culture, including our progress against our diversity, inclusion and employee engagement strategy and representation goals for women, people with disabilities, visible minorities, Indigenous people, the LGBTQA community and other groups.

See pages 32 and 33 for a report on this committee’s membership and activities in 2019.

The Risk Review Committee—helps the Board perform its oversight duties for identifying and managing risk and complying with risk-related regulatory requirements. At least annually, this committee reviews and recommends to the Board the Bank’s Risk Appetite Framework, which includes the Risk Appetite Statement. The committee also reviews the organizational structure, resources and effectiveness of the risk management function. In addition, it reviews and, as applicable, approves our risk management corporate policies, reviews and/or ratifies transactions involving a material amount of risk and recommends to the Board the limits and risk-taking authority to be delegated to the CEO.

See pages 34 and 35 for a report on this committee’s membership and activities in 2019.

IX. Communications and Shareholder Engagement

At a glance

- *The management Disclosure Committee oversees the timely public release of material information about the Bank*
- *Disclosure controls and procedures ensure material information is effectively communicated internally*
- *Our Shareholder Engagement Policy (available on our website) promotes open dialogue and the exchange of ideas with Shareholders*

The Audit and Conduct Review Committee reviews and approves the Disclosure Policy every other year. The policy covers the timely distribution of all material non-public information. It sets out guidance for determining material information and ensures proper (non-selective) disclosure and wide distribution of material information.

The Disclosure Committee consists of members of senior management including the Chief Financial Officer (“CFO”), who chairs it. This committee reviews all annual and interim filings and oversees the timely public release of material information about the Bank. The CFO and General Counsel together decide what information is material and therefore publicly disclosed.

We have a rigorous attestation process to support the certifications by the CEO and the CFO on the adequacy of our financial disclosure. Our most senior executives must make representations (quarterly and annually) to our Chief Accountant. This includes declaring that any potentially material issues they know of have been escalated to the Chief Accountant under our financial governance processes. The representations are specific to the executive’s area of responsibility.

Maintaining an ongoing dialogue with our shareholders is important for the Board, and our Shareholder Engagement Policy, which encourages open dialogue and the exchange of ideas, sets out the ways in which Shareholders can communicate with the Board and management. We communicate with Shareholders and other stakeholders through various channels, including our annual report, management proxy circular, annual information form, *Sustainability Report & Public Accountability Statement*, quarterly reports, news releases, website, industry conferences and other meetings. In addition, our quarterly earnings call is open to all, and features a live webcast and question and answer period. We also hold our annual meeting of Shareholders, with a live webcast, so all our Shareholders can participate. In addition, our website provides extensive information about the Board, its mandate, the Board committees and their charters, and our directors.

Feedback from institutional Shareholders comes from one-on-one or group meetings, and by email or telephone from retail Shareholders, in addition to regular informal interactions on specific questions between our Investor Relations department and Shareholders. Every two years, our Chair hosts a luncheon with our largest institutional Shareholders, without BMO management present. Our Chair hosted an institutional shareholders’ luncheon in January 2019 that included all of our Board committee chairs and representatives of 9 investor firms and the Canadian Coalition for Good Governance. Afterwards, our Investor Relations team and senior leaders followed up with attendees to address any outstanding concerns related to management activities.

Our Corporate Secretary’s department, Investor Relations team and ESG/Sustainability team maintain an ongoing dialogue with a variety of stakeholders in order to understand what’s important to them and to discuss topical issues. They also reply promptly to Shareholder concerns and take appropriate action. The Board believes these procedures reflect best practices in Shareholder engagement.

To communicate directly with the Board, Shareholders can use the contact details below, in item XV, “Contacting our Board”.

X. Succession Planning for Senior Management

The Board is responsible for appointing the CEO and other members of senior leadership; monitoring senior leadership’s performance, goals, assessments and rewards; developing, reviewing and monitoring the CEO succession plan; and reviewing at least yearly the succession strategy for all other senior leadership positions.

The Human Resources Committee reviews BMO’s senior leadership pipeline every year and has developed succession plans for the CEO and other senior executive roles. In fiscal 2019, the Committee appointed new leaders to key functions as part of its succession planning: Chief Technology and Operations Officer; Chief Risk Officer; Group Head, BMO Capital Markets; Chief Anti-Money Laundering Officer, Head, People & Culture and Chief Human Resources Officer; and Group Head, North American Personal Banking & US Business Banking.

XI. Gender Diversity in Senior Management

At a glance:

- *40% of our senior leader roles, and more than one-third of our independent directors, are women*
- *We are the only Bank in the top 25 companies listed in the Thomson Reuters Global Diversity & Inclusion Index*
- *BMO was recognized in the 2020 Bloomberg Gender Equality Index for the fifth consecutive year*
- *In 2019, BMO was honoured with a Women Corporate Directors Visionary Award for its decades long commitment to advancing women in leadership*

BMO's commitment to gender diversity is evident across all levels of the organization. Representation of women remains significant at all levels at BMO, with a strong overall representation rate of 54.6%. Today, 40% of our senior leader roles (including the executive and managing director levels) and more than one third of our independent board members are women. In 2019, BMO was the first Canadian bank to sign the United Nation's Women's Empowerment Principles. We were also listed on the Bloomberg Gender-Equality Index for the fifth year in a row. Our commitment to gender diversity also aligns with our pursuit of sustainable business opportunities, such as our commitment to make \$3 billion in capital available for women business owners in Canada over three years.

As part of the Bank's leading talent practices, we work to ensure gender diversity in our succession slates (which include three potential successors for every executive position), as well as in candidate slates for all open executive officer positions. To monitor our progress on the advancement of women and develop a healthy pipeline of female talent, we also:

- Identify top talent and implement development plans for high-potential women
- Monitor the number of women in senior leadership roles and those in the pipeline as emerging leaders at monthly talent roundtable meetings with senior leaders
- Identify and remove barriers that women commonly encounter in their careers to provide access to leadership and development opportunities
- Require that the profiles of diverse executives be reviewed and considered for openings on subsidiary boards

By achieving gender diversity and an equitable and supportive workplace, the Bank maximizes the potential of its workforce, broadens the perspective in decision-making and enhances client service throughout all lines of business.

Our vision 2020 target is equitable representation with a minimum of 40% men or women at senior leadership level. We have already achieved 40.6% as at October 31, 2019. In 2020, we will establish new representation goals and diversity & inclusion priorities to take us to 2025. Our gender diversity representation goals do not explicitly focus on our executive officer positions; however, our overall company goal creates a healthy feeder pool that supports planning and succession strategies at the most senior levels of the Bank. This focus allows us to ensure the continued growth of women among our senior leadership ranks. As of October 31, 2019, 4 out of 12 (or 33%) executive officer positions, as well as the position of Chief Auditor, were held by women.

XII. Sustainability

At a glance:

- *Released our Sustainability Report to coincide with our Annual Report, to align our sustainability disclosure with our financial disclosure*
- *Rolled out training focused on the Task Force on Climate-related Financial Disclosure (TCFD) and climate change for our Board of Directors on the emerging risks and opportunities associated with climate change*
- *Aligned our climate-related disclosure with TCFD recommendations*
- *Developed an innovative TCFD Index showing integration of our disclosure*

As part of the Bank's Purpose to "Boldly Grow the Good – in business and in life", BMO has committed \$400 billion for sustainable finance by 2025. The \$400 billion includes mobilizing \$150 billion in capital to support companies pursuing sustainable outcomes. This includes \$250 billion in client investments, which, as trusted advisors, we will help to align with sustainable objectives. The Bank is also seeding the Impact Investment Fund with \$250 million of its own capital and inviting clients to invest alongside it.

Board-level oversight of sustainability disclosure and governance is embedded in the charter of our Board's Audit and Conduct Review Committee. This committee meets with the Chief Sustainability Officer and the General Counsel to review and discuss sustainability topics like climate change and matters reported to the BMO Sustainability Council. The Sustainability Report, including the climate related disclosure, is also reviewed by the full Board of Directors. BMO's directors are evaluated based on a skills matrix that specifically includes experience related to sustainability. The Board also receives training on sustainability topics. For example, climate change risk and disclosure training was developed and made available to all BMO directors as part of BMO's implementation of the recommendations of the Task Force on Climate-related Financial Disclosures.

XIII. Compliance with Stock Exchange Standards

Our Shares are listed for trading on the TSX as well as on the NYSE. We are classified as a 'foreign private issuer' under the New York Stock Exchange Listed Company Manual ("NYSE Rules") and because certain of our other securities are listed on the NASDAQ, under the Nasdaq Stock Market Rules ("Nasdaq Rules").

We are therefore permitted to follow home country practice instead of certain governance requirements set out in the NYSE Rules or the Nasdaq Rules, respectively, provided that we disclose any significant differences between our governance practices and those required to be followed by U.S. domestic companies under the NYSE Rules or the Nasdaq Rules. Further information regarding these differences is available on our website at www.bmo.com/home/about/banking/corporate-governance/select-documents.

XIV. Additional Governance Information

This statement refers to documents on our website at www.bmo.com/corporategovernance. Print copies are available to Shareholders free of charge who ask the Corporate Secretary's department at:

Bank of Montreal
21st Floor, 1 First Canadian Place Toronto, Ontario M5X 1A1
Telephone: (416) 867-6785 Fax: (416) 867-6793
Email: corp.secretary@bmo.com

Financial information about us is in our consolidated financial statements and management's discussion and analysis for the fiscal year ended October 31, 2019. Copies of these reports are available from the Corporate Secretary's department at the address above. This (and other information about the Bank) is available on our website, on SEDAR (System for Electronic Document Analysis and Retrieval) at www.sedar.com, and on the SEC website at www.sec.gov/info/edgar.shtml.

Documents available on our website or from our Corporate Secretary's department include:

- Our Code of Conduct
- Our By-Laws
- The Board Mandate and charters for each of the Board's committees
- Position descriptions for each of the Chair, the committee chairs and the directors
- Director Independence Standards
- Statement of Corporate Governance Practices
- Director Conflict of Interest Policy
- Board Diversity Policy
- Shareholder Engagement Policy
- Proxy Access Policy
- Majority Voting Policy
- Sustainability Report & Public Accountability Statement

XV. Contacting our Board

Shareholders, employees and other interested parties may communicate directly with the Board through the Chair, by writing to:

Chair of the Board of Directors
BMO Financial Group
P.O. Box 1, First Canadian Place
100 King Street West
Toronto, Ontario M5X 1A1
Email: board.directors@bmo.com