



## **BANK OF MONTREAL**

### **GOVERNANCE AND NOMINATING COMMITTEE CHARTER**

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The Committee is responsible for developing governance principles and guidelines for the Bank, identifying and recommending candidates for election or appointment to the Board, reviewing the Bank's process for orientation, and the assessment of the Board, its committees and directors.

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#### **PART I**

#### **MANDATE**

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The Committee will, either directly or through one or more sub-committees, perform the duties set out in this Charter and such other duties as may be necessary or appropriate including:

##### **1.1 System of Corporate Governance**

- 1.1.1 developing and recommending for Board approval corporate governance principles and guidelines applicable to the Bank;
- 1.1.2 monitoring the Bank's governance practices against world-wide best practices, regulatory guidance and emerging trends, including oversight over the Bank's subsidiaries and other legal entities;
- 1.1.3 reviewing reports on the performance of the Bank against its Purpose and reporting on same to the Board;
- 1.1.4 preparing, reviewing and recommending for Board approval, disclosure relating to the Bank's corporate governance principles and guidelines;
- 1.1.5 overseeing the process for review and, where necessary, revisions to the Bank's Board Approval/Oversight Guidelines; and
- 1.1.6 establishing and reviewing procedures for shareholder proposals and recommending responses to the Board.

##### **1.2 Functioning of Board and Committees**

- 1.2.1 monitoring and evaluating the process for assessing the performance and effectiveness of the Board and committees of the Board (including a self-assessment of this Committee), which takes into account the Board Mandate or committee charters as applicable;
- 1.2.2 reviewing at least annually the size, composition and mandate of the Board and each Board committee charter and making recommendations to the Board;
- 1.2.3 reviewing the structures and procedures of the Board and its relationship with management to ensure it can function independently;
- 1.2.4 reviewing the frequency and scheduling of Board/committee meetings (and recommending same to the Board for approval), and the adequacy of Board/committee agendas and materials presented to directors;

- 1.2.5 reviewing the Director Independence Standards and the Chair of the Board and committee chair position descriptions and recommending any changes to the Board for its approval;
- 1.2.6 recommending Board committee chairs to the Board;
- 1.2.7 considering and making recommendations, as necessary, on the resignation of directors;
- 1.2.8 recommending to the Board policies outlining the criteria for tenure of directors, diversity and the majority voting policy for the election of directors to the Board;
- 1.2.9 coordinating and approving any requests from individual directors for engaging special outside advisers, as applicable; and
- 1.2.10 reporting annually to the Board the results of its assessments of Board and committee function and performance.

### **1.3 Process for Nominating Directors**

- 1.3.1 developing and maintaining a director skills matrix, specifying areas of expertise and experience that should be represented on the Board and the existing experience and strengths of Board members, aligned with the Bank's long-term strategic plans, risk profile, ethical culture and overall business;
- 1.3.2 establishing and executing the selection and screening process to identify individuals qualified to become director candidates consistent with criteria established by the Board;
- 1.3.3 recommending to the Board candidates to nominate for election or appointment as directors, including appointees to committees of the Board;
- 1.3.4 overseeing the process pursuant to which the Office of the Superintendent of Financial Institutions ("OSFI") is to be promptly notified of any potential changes to the membership of the Board and senior management; and
- 1.3.5 overseeing processes for the receipt of director nominations by shareholders.

### **1.4 Director Assessment**

- 1.4.1 monitoring, evaluating, and recommending to the Board the process for assessing the contributions of individual directors, which takes into account, among other things, their position descriptions as well as the competencies and skills each individual director is expected to bring to the Board and providing feedback to individual directors on their effectiveness;
- 1.4.2 at least annually monitoring the implementation of the assessment processes above and reviewing for changes;
- 1.4.3 evaluating the on-going qualifications of directors including independence of directors according to the Director Independence Standards and applicable laws and making recommendations to the Board;
- 1.4.4 annually monitoring and evaluating the process for assessing the performance of the Chair of the Board;
- 1.4.5 reviewing and approving the objectives of the Board and its Committees as led by their respective Chairs; and
- 1.4.6 annually reporting the results of its assessments of directors' and chairs' respective performance to the Board.

## **1.5 Education and Orientation**

- 1.5.1 overseeing the orientation program for new directors and committee members with respect to their Board responsibilities, the role of the Board and its committees, as well as the contribution individual directors are expected to make; and
- 1.5.2 overseeing programs for providing continuing education for all directors and committee members.

## **1.6 Director Remuneration**

- 1.6.1 monitoring and reviewing at least annually the compensation of directors to ensure that it is both appropriate to the responsibilities and risks assumed and competitive with other comparable organizations; and
- 1.6.2 overseeing the administration of the Stock and Deferred Share Unit Plan for Non-Employee Directors (DSU Plan).

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## **PART II COMPOSITION**

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### **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 not be “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 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 Board, in consultation with the Bank’s General Counsel. Any member of the Committee may be removed or replaced at any time by the Board.

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## **PART III COMMITTEE PROCEDURE**

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### **3.1 Meetings**

- 3.1.1 The Committee will meet as frequently as it determines necessary but not less than once each quarter. 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 *ad hoc* meetings, 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 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.
- 3.1.4 The chair of the Committee 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 *ad hoc* meetings, 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 be, 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 Bank's Corporate Secretary.
- 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 at the end of each meeting with only the members of the Committee present.
- 3.1.7 The Committee may invite any director, officer or employee of the Bank or the Bank's counsel or any other person, as appropriate, 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 approve the report of the Committee to be included in the Bank's Management Proxy 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 Access to Management and Outside Advisors and Continuing Education**

- 3.3.1 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 sole authority to retain and terminate any search firm used to identify director candidates that satisfy the selection criteria, including sole authority to approve the search firm's fees and other retention terms.
- 3.3.2 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.

### **3.4 Annual Review and Assessment**

- 3.4.1 The Committee will ensure that an annual review and assessment of the Committee's performance and effectiveness, including a review of its compliance with this Charter, will be conducted in accordance with the process developed by the Committee and approved by the Board. The results thereof will be reported in accordance with the process established by the Committee and approved by the Board.
- 3.4.2 The Committee will 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.

### **3.5 Definitions**

**"Bank"** means Bank of Montreal and as the context requires, subsidiaries of the Bank.

**"Board"** means the Board of Directors of Bank of Montreal.

**"Committee"** means the Governance and Nominating Committee of the Board of Directors of Bank of Montreal.