



BANK OF MONTREAL
RISK REVIEW COMMITTEE CHARTER

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for the Bank's identification, assessment and management of risk; adherence to risk management Corporate Policies; and compliance with risk-related regulatory requirements.

PART I
MANDATE

The Committee will, either directly or through one or more sub-committees, or by delegation to another Bank subsidiary board or board committee, perform the duties set out in this Charter and such other duties as may be necessary or appropriate including:

1.1 Risk Appetite Framework and Governance

- 1.1.1 reviewing and recommending to the Board for approval at least annually the Risk Appetite Framework, and overseeing its effectiveness;
- 1.1.2 reviewing and approving at least annually the Operational Non-Financial Risk Appetite Statement;
- 1.1.3 recommending to the Board for approval the exposure limits and risk-taking authority delegated by the Board to the Chief Executive Officer;
- 1.1.4 reviewing and approving at least every two years the Operational Resilience Program Framework;
- 1.1.5 reviewing and recommending to the Board for approval every two years the BMO Financial Crisis Management Recovery Plan and the BMO Financial Crisis Management Resolution Plan;
- 1.1.6 periodically reviewing, approving and overseeing, as appropriate, principles, processes, controls, data and systems reporting developed by management to identify, evaluate and oversee appropriate management of applicable risks and risk-related regulatory requirements, as well as, risk remediation plans and actions taken by management to rectify any deficiencies identified;
- 1.1.7 reviewing, and jointly with the Human Resources Committee, recommending to the Board for approval, the appointment, re-assignment or dismissal of the Chief Risk Officer (the "CRO"), as required, including having input into the succession planning of the CRO; and annually assessing the effectiveness of the CRO, in conjunction with the Human Resources Committee, and reviewing and approving his or her mandate;
- 1.1.8 annually reviewing and approving the organizational structure, budget, resource plan and strategic priorities of the Enterprise Risk & Portfolio Management function and assessing its effectiveness;
- 1.1.9 periodically commissioning a review of the risk function by independent external advisors;

- 1.1.10 reviewing Enterprise Risk & Portfolio Management related reports, findings and audit results from the Chief Auditor as well as associated remediation status; and
- 1.1.11 monitoring the appropriateness and soundness of the Bank's risk culture.

1.2 Identification, Assessment and Management of Risk

- 1.2.1 reviewing and advising on the risk impact of any material strategic decision or, if requested by the Board, other non-material strategic decisions;
- 1.2.2 reviewing regular management reports of risk exposure levels relative to limits and risk-taking authority delegated by the Board, as well as to the Risk Appetite Statement;
- 1.2.3 reviewing management's evaluation of risk aspects of strategies or exposures to products, industry segments, countries and key markets and assessing that they are in keeping with the Risk Appetite Statement;
- 1.2.4 reviewing at least annually the Capital Adequacy Assessment, and recommending to the Board for approval the adequate capital required by the Bank for its expected risks; and
- 1.2.5 understanding material current and emerging risks to which the Bank is exposed, including through the consideration of stress-testing results;
- 1.2.6 overseeing the identification, assessment and management of the Bank's credit and counterparty, market, insurance, liquidity and funding, operational non-financial, environmental and social (that includes risks arising from climate change), and reputation risks.

1.3 Adherence to Risk Management Corporate Policies

- 1.3.1 reviewing and approving, or recommending to the Board for approval as appropriate, risk management corporate policies, and reviewing and monitoring other Bank corporate policies relating to risk as considered appropriate;
- 1.3.2 reviewing how material exceptions to policies and controls are identified, assessed, managed, and reported, and monitoring remedial actions for material breaches of policies or controls;
- 1.3.3 approving or reviewing, as considered appropriate, any transaction or other proposal that involves management exceeding limits prescribed by risk management corporate policies; and
- 1.3.4 at the request of the CRO, approving in advance proposed transactions involving a material amount of risk.

1.4 Compliance with Regulatory Requirements

- 1.4.1 reviewing the regular attestations and reports of the CRO, including assurances that risk management is independent, adequately resourced and has appropriate status and visibility;
- 1.4.2 reviewing relevant reports by supervisory authorities related to risk management, addressing other risk-related matters that regulators have asked the Board to consider, and overseeing management's remedial actions;
- 1.4.3 meeting annually with representatives of OSFI as a Committee or as part of the Board, to receive OSFI's report on the results of its annual examination of the Bank;

- 1.4.4 reviewing the Bank's insurance program and approving certain limits of insurance established to meet the requirements of the Protection of Assets (Banks) Regulations to the *Bank Act* (Canada); and
- 1.4.5 periodically assessing the appropriateness of the Bank's Enterprise Risk Management Framework against industry best practices relating to risk management and risk-related regulatory requirements.

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 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, 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 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 should have or be willing and able to acquire within a reasonable period of time following their appointment, the necessary understanding of issues related to risk management or related business experience.
- 2.1.4 The Committee may invite other directors to attend Committee meetings or otherwise provide input as needed to acquire additional specific skills as required to carry out its mandate.

PART III COMMITTEE PROCEDURE

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. The CRO may request that the chair of the Committee call a meeting.
- 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 chair of the Committee will meet as required or advisable with the CRO in order to consider matters for inclusion in the Committee's agenda and the information to be provided by management to the Committee. The agenda for each meeting of the Committee, other than *ad hoc* meetings, will be delivered together with such other materials as the chair of the Committee determines necessary, to each member of the Committee at least 48 hours prior to the meeting. The chair of the Committee 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 beginning of each regularly scheduled meeting with only the CRO present.
- 3.1.7 The Committee will meet at the end of each meeting with only members of the Committee present.
- 3.1.8 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.
- 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 Board's Governance and Nominating Committee and approved by the Board. The results thereof will be reported in accordance with the process established by the Board's Governance and Nominating 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's Governance and Nominating Committee.

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 Risk Review Committee of the Board of Directors of Bank of Montreal.

"OSFI" means the Office of the Superintendent of Financial Institutions.

"Risk Appetite Framework (RAF)" means the overall approach, including principles, policies, processes, controls and systems, roles and responsibilities through which Risk Appetite is established, communicated, implemented and monitored. The RAF is comprised of Risk Appetite Statements and supporting limits (defined through Key Risk Metrics and Risk Tolerance Thresholds), along with an outline of the roles and responsibilities of those

overseeing the implementation of the RAF. The RAF is supported by Corporate Policies, Corporate Standards and governing documents.

“Risk Appetite Statement (RAS)” is part of the Risk Appetite Framework and is the articulation of the aggregate level and types of risk that the Bank is willing to accept, or to avoid, in order to achieve its business objectives. The RAS includes qualitative statements as well as Key Risk Metrics.

“Enterprise-Wide Risk Management Framework (ERMF)” guides risk-taking activities and sets out our approach to risk management: maintain strong capital and liquidity, diversify and limit tail risk, optimize risk return, protect our reputation, and otherwise understand and manage the risks we face. It outlines the approach to risk governance and risk management life cycle, guiding our efforts to identify, assess, manage (including mitigate), monitor and report on our material risks, supported by a strong risk culture. The ERMF provides for the direct management of each individual risk type, as well as management of risk on an aggregate basis.