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Bank of Montreal

# Statement of Corporate Governance Practices

As at February 6, 2023

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# Guide to the 2023 statement of corporate governance practices

In this document:

- we, our, us, BMO and the bank mean Bank of Montreal and our subsidiaries
- you, your and shareholder refer to holders of BMO common shares
- shares means BMO common shares
- circular means BMO’s 2023 management proxy circular dated February 6, 2023
- board means BMO’s board of directors

Information in this document is as at February 6, 2023 and in Canadian dollars, unless indicated otherwise.

This document describes BMO’s board and corporate governance practices, and how these are integral to our performance and long-term sustainability.	1	<b>Governance 1</b> <b>2</b> About the Board of Directors <b>2</b> <i>BMO’s governance structure</i> <b>3</b> <i>Business conduct</i> <b>4</b> <i>Insider trading policies</i> <b>4</b> <i>Strategic planning</i> <b>6</b> <i>Subsidiary governance</i> <b>7</b> <i>Leadership diversity, development and succession planning</i> <b>8</b> <i>Communication and engagement</i> <b>5</b> <i>Sustainability</i> <b>10</b> Building an Effective Board <b>10</b> <i>Key position descriptions</i> <b>11</b> <i>Independence</i> <b>12</b> <i>Diversity and skills</i> <b>14</b> <i>Orientation and development</i> <b>17</b> <i>Commitment and tenure</i> <b>18</b> <i>Assessment</i> <b>19</b> Director Compensation <b>19</b> <i>Fee structure</i> <b>19</b> <i>Share ownership</i>
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## A strong foundation

# GOVERNANCE

Corporate governance is important – to our shareholders, our customers, our employees, the communities we operate in – and to us. Sound corporate governance is the foundation for responsible business behaviour and integral to our performance and long-term sustainability.

Our high standards of corporate governance align with emerging best practices and meet or exceed the legal and regulatory requirements of the TSX and New York Stock Exchange (NYSE) that apply to us.

### Board expertise

Good governance starts with our board of directors. 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.

- > Independent
- > Elected annually
- > Elected individually (not slate)
- > Majority voting policy
- > Orientation, continuing education and assessment
- > Tenure policy
- > Conflict of interest policy
- > Proxy access policy

### Leading governance practices

We monitor regulatory changes and emerging best practices in corporate governance to make sure we are at the forefront.

- > Code of Conduct grounded in our values
- > Separate board chair and CEO positions
- > Board and committee chair term limits
- > Policy on interlocking directors
- > Board diversity policy
- > No hedging of BMO securities
- > Director and executive share ownership guidelines
- > Annual 'say on pay'
- > Non-executive directors are unable to participate in BMO stock option plans
- > Leading subsidiary governance practices

### Recognition

We've been recognized over the years for our governance practices.

- > 2023 Global 100 Most Sustainable Corporations in the World – Corporate Knights
- > 2022 World's Most Ethical Companies® – Ethisphere Institute
- > Ranked among the most sustainable companies on the Dow Jones Sustainability North America Index (DJSI)
- > 2023 Bloomberg Gender-Equality Index
- > 2022 Best 50 Corporate Citizens in Canada – Corporate Knights
- > Best Employers for Diversity 2021 (United States) – Forbes
- > Gold Award in Excellence in Leadership Development – Brandon Hall Group
- > Ranked 4th amongst 226 companies and trusts on the S&P/TSX composite index in the Globe and Mail's 2022 Board Games
- > Governance Professionals of Canada, Excellence in Governance Award, Executive Compensation, 2021

# About the Board of Directors

BMO has a clearly defined Purpose and strategy.

The board's role is to oversee management, set general direction and to do what is in the best interests of the bank, taking into consideration the interests of stakeholders, by bringing an independent perspective and broad experience.

Board Approval/Oversight Guidelines set out the specific roles and responsibilities of both the board and management, and specifies accountability within the bank. The *Bank Act* (Canada) sets out certain things that cannot be delegated to the committees, like approving financial statements and dividends.

BMO is continuing to build a high-performing, digitally enabled bank that's ready for the future.

It has a clearly defined Purpose: To Boldly Grow the Good *in business and life* for a thriving economy, sustainable future and an inclusive society. Keeping the fundamentals of our strategy consistent, we renewed our priorities for fiscal 2023 to reflect our strong momentum and the changing environment:

- > **World-class** loyalty and growth, powered by One Client leadership, bringing the full suite of BMO's products, services and advice to our clients
- > **Winning culture** driven by alignment, empowerment and recognition
- > **Digital First** for speed, scale and the elimination of complexity
- > **Lead partner** in our clients' **transition** to a **net zero world**
- > **Superior management** of **risk, capital** and **funding** performance

## BMO's governance structure

### Board of Directors

(see page 91 of our circular for the board mandate)

- Provides stewardship, sets general direction and alignment with Purpose, and oversees management, technology and operations
- Defines the role of the Chair, committee chairs, directors and the CEO, and reviews the descriptions every year
- Oversees subsidiary operations (134 subsidiaries in 14 jurisdictions on October 31, 2022)

### Board committees

(see our website for each committee's charter, and pages 36 to 40 of our circular for the 2022 committee reports)

- Help the board carry out its responsibilities
- Are led by an independent chair and all members are independent directors
- Committee membership is reviewed by the Governance and Nominating Committee once a year, to match director skills to committee mandates

#### Audit and Conduct Review Committee

- Integrity of financial reporting
- Effectiveness of internal controls, including with respect to cyber security and information systems
- Qualifications, independence and performance of the independent auditors
- Transactions involving related parties, conflicts of interest and confidential information
- Standards of ethical business conduct
- Sustainability governance and disclosure, including as related to climate change
- External assurances and attestations regarding sustainability metrics oversight
- Compliance with legal and regulatory requirements

#### Governance and Nominating Committee

- Governance principles and guidelines
- Board composition, including performing public searches and retaining independent recruitment firms to identify qualified diverse candidates
- Director development, assessment and succession planning
- Director compensation
- Subsidiary oversight
- Coordination of effective committee oversight
- Allocation of ESG matters amongst the board and its committees

#### Human Resources Committee

- Human resources strategies
- Talent development, retention and succession planning
- Employee diversity, equity and inclusion and health and well-being
- Compensation principles and policies oversight and their alignment to risk management and sustainability, and governance
- CEO and senior executive appointment and compensation

#### Risk Review Committee

- Risk appetite framework and governance
- Management of the Bank's environmental and social risks, including climate change
- Identification and management of risk
- Adherence to risk management corporate policies
- Compliance with risk-related regulatory requirements

The Governance and Nominating Committee defines BMO's approach to corporate governance, and makes sure our corporate governance framework, guidelines and practices meet or exceed regulatory requirements, industry and stakeholder expectations and best practices.

The Board Chair is responsible for making sure the board functions effectively and meets its obligations, including its obligations to

stakeholders. The Board Chair sets the Board meeting Agendas in consultation with the CEO and Corporate Secretary and chairs all board meetings. The Chair's position description is available on our website at [www.bmo.com/corporategovernance](http://www.bmo.com/corporategovernance). George Cope was appointed Chair of the Board effective March 31, 2020. He is an independent director and has served on BMO's board since 2006.

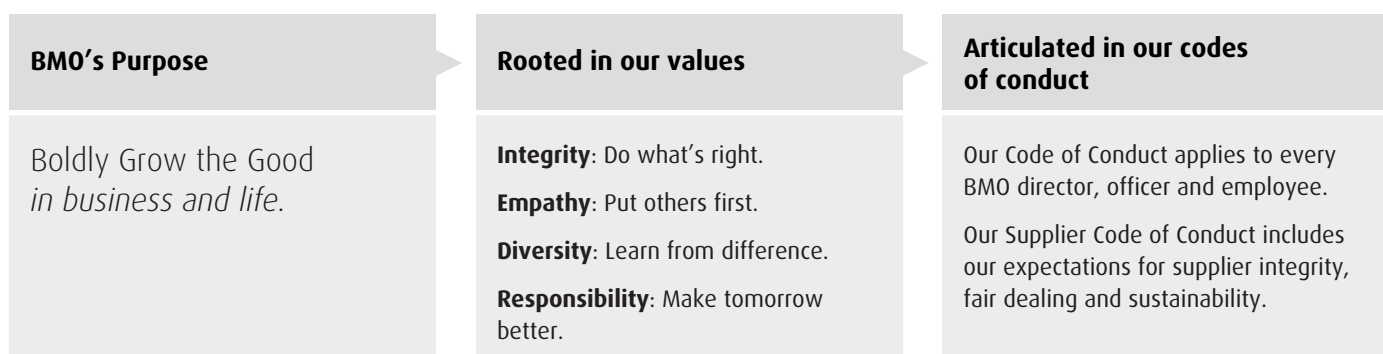
## Business Conduct

BMO adheres to the highest ethical standards. Our commitment to ethical business practices is integral to our reputation in the financial sector and the global economy, and helps us cultivate strong relationships with employees, customers and communities.

Responsibility for fostering an ethical culture at the bank is shared by everyone across BMO – directors, officers and employees. BMO's Chief Ethics Officer ensures BMO's expectations around ethical conduct are clear and well understood by employees globally.

Aggregated reporting to senior leadership and the board provides a holistic view of culture and conduct management activities across the bank.

- > BMO was named one of the World's Most Ethical Companies® by the Ethisphere Institute in 2022 for the fifth consecutive year. BMO is one of five banks worldwide to be recognized in 2022. BMO is also the only bank in Canada to be recognized with this award since its inception in 2007.



The board's expectations are described in BMO's Code of Conduct, which is grounded in our Purpose and our core values. BMO's Code of Conduct sets out the principles and performance standards that guide us to do the right thing and deliver great experiences. It is our ethical guide and its principles are not negotiable.

Our Code of Conduct has five principles:

<b>1</b> <b>Be honest and respectful</b>	<b>2</b> <b>Be alert to behaviour contrary to the code</b>	<b>3</b> <b>Be true to the letter and spirit of the law</b>	<b>4</b> <b>Be conscientious about security</b>	<b>5</b> <b>Manage conflicts of interest</b>
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Everyone at BMO – directors, officers and employees – is expected to follow the Code. All employees participate in mandatory training every year, and every officer, employee and director confirms they have read, understood, complied with, and will continue to comply with the Code. The Code is reviewed annually and approved by the board every two years.

Our Supplier Code of Conduct outlines the principles BMO expects our suppliers to support – our standards for integrity, fair dealing and sustainability. It's updated every two years to address evolving trends, issues and legislative requirements. BMO's Code of Conduct and Supplier Code of Conduct are available on our website [bmo.com/CodeofConduct](http://bmo.com/CodeofConduct) and [bmo.com/SupplierCodeofConduct](http://bmo.com/SupplierCodeofConduct).

A key element to fostering an ethical culture is providing an environment where concerns can be raised without fear of retaliation. We support this by providing multiple channels for employees to raise concerns internally and having zero tolerance for retaliation. We also offer employees, officers and other stakeholders access to a secure, confidential and, if desired, anonymous third-party reporting service to raise concerns, questions and feedback on our website [bmo.com/whistleblower](http://bmo.com/whistleblower). All concerns are actioned and breaches of the Code are dealt with expeditiously.

We provide training and communications about the importance of speaking up and the ways available to do so.

There are several internal speak up resources for employees that set out the process, accountabilities and contact details for the various reporting channels, as well as BMO's commitment to protecting employees against retaliation. In 2022, BMO's

## Insider Trading Policies

BMO's policies prohibit all directors, officers, and employees from insider trading. In addition, 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 ensure that

Whistleblower Process and speak up resources were refreshed to improve clarity, accessibility and ensure compliance with evolving legal and regulatory requirements.

all trading activity is monitored. In addition, those officers and employees subject to monitoring must pre-clear any securities trades 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.

## Strategic planning

The board's role is to approve and oversee BMO's strategy and its implementation. This includes:

- reviewing and approving key priorities, opportunities, risks, competitive position, financial projections and other key performance indicators for each operating group and the technology & operations function
- overseeing strategic planning related to technological innovation, enterprise data, analytics, AI, governance, cyber security, digitech partnerships and ESG, including climate change
- reviewing and approving the bank's business and capital plan.

The board holds an annual strategy session with management that covers:

- our existing strategy and changes resulting from both internal and external factors
- new opportunities for growth
- risks related to current and future strategy
- the financial and capital impacts of the recommended strategy.

- > Management develops BMO's enterprise-wide strategy.
- > The board oversees the strategic planning process and reviews and approves our strategic plans.
- > The Human Resources Committee makes sure executive compensation is linked to our strategic priorities and key priority topics in our sustainability scorecard (see page 55 of our circular).

At the end of the session, the board provides feedback on the strategic plan, approves the strategic plan and provides feedback on the session itself.

Management updates the board at every meeting on the bank's and each operating group's progress in implementing the strategies.

## Risk oversight

The bank has an integrated and disciplined approach to risk management that is key to maintaining a strong risk culture and the success of the bank's operations. At BMO, we are guided by five key principles on risk:

- understand and manage risk
- protect our reputation
- diversify, limit tail risk
- maintain strong capital and liquidity
- optimize risk return.

These key principles drive our approach to risk management across the enterprise and enterprise risk appetite statement. The board approves this risk appetite statement every year.

The board's risk oversight role includes ensuring the bank's corporate objectives are supported by a sound risk strategy and an effective enterprise-wide Risk Management Framework. The framework, approved by the board through the policies that govern our approach to risk management, including how risk is identified,

- > The Risk Review Committee oversees the identification and management of risk. See the 2022 committee report on page 40 of our circular for its activities this year.
- > A disciplined approach to risk management is built into every aspect of business operations and strategic planning.
- > Executive compensation is aligned with BMO's risk appetite statement, supports our compliance and ethics requirements, and does not encourage excessive risk-taking (see page 59 of our circular).

assessed, managed, monitored, and reported. The framework is appropriate for the nature, scale, complexity and risk profile of the bank's activities.

You can find more about our Risk Management Framework, including the risk oversight responsibilities of the board and its committees, our risk appetite, risk policies and limits, in our 2022 Annual Report.

# Sustainability

Our commitment to sustainability is embedded in our strategy and is fundamental to our Purpose. We identify the most significant effects of our business operations, products and services on our stakeholders and the communities in which we operate. We take steps to manage our business in a manner that is consistent with our sustainability objectives, considering the interests of our stakeholders. We apply a variety of ESG practices to capture opportunities and manage risks in key areas such as sustainable finance, climate change, human rights, and diversity, equity and inclusion.

Board-level oversight of sustainability disclosure and governance is embedded in the charters of each of the Bank's committees.

The Governance and Nominating Committee evaluates each director using a skills matrix that includes experience related to sustainability. The Audit and Conduct Review Committee and Risk Review Committee meet with the Chief Sustainability Officer and the General Counsel to review and discuss key sustainability topics like climate change and matters reported to the BMO Sustainability Council. A key part of the Audit and Conduct Review Committee's role is to review and approve the Sustainability Reporting Suite (Sustainability Report and Public Accountability Statement, GRI Index, SASB Disclosure, Data Pack and Glossary and Climate Report).

The Risk Review Committee is responsible for overseeing the identification, assessment and management of the Bank's environmental and social risks, including climate change. The Risk Review Committee approves the Environmental and Social Risk Corporate Policy. Management makes a joint Audit and Conduct Review Committee/Risk Review Committee presentation on the Climate Report and Financed Emissions Target Setting. The Board approves the Enterprise Risk Appetite Statement, which includes the Environmental and Social Risk Appetite Statement. Climate reporting is incorporated into the quarterly Operating Group presentations.

The Human Resources Committee builds links between executive pay, BMO's strategic priorities and key priority topics in the sustainability scorecard. The Human Resources Committee also has oversight of human resources strategies relating to diversity, equity and inclusion and health and well-being.

The full board meets with BMO Executive Committee members to discuss sustainability and climate strategy, to review BMO's climate related disclosures, including the Sustainability Report and Climate Report and receives training on sustainability topics, including climate change.

## > Setting the standard:

- Named to Corporate Knights' 2023 Global *100 Most Sustainable Corporations in the World* and, for the fourth year in a row, ranked as the most sustainable bank in North America.
- Ranked among the most sustainable companies on the Dow Jones Sustainability North America Index (DJSI) – earning the highest score in Financial Inclusion, Environmental Reporting and Social Reporting.
- In addition, in 2022 we were:
  - Named to Canada's Best 50 Corporate Citizens Ranking by Corporate Knights.
  - Recognized as one of the World's Most Ethical Companies for the fifth consecutive year by the Ethisphere Institute.
- Recognized for the eighth consecutive year on the Bloomberg Gender-Equality Index.
- Top Ranked Financial Institution on a New Global Sustainability Benchmark by the World Benchmarking Alliance for helping make progress in support of a just and sustainable economy.

> **Sustainable and Inclusive Future:** At BMO, we have a long-standing commitment to support a thriving economy, sustainable future and an inclusive society, and we are acting on this commitment with purpose. In support of our customers, communities and employees, we:

- Continued to make progress against our \$300 billion sustainable finance target.
- BMO EMpower™, our five-year, US\$5 billion commitment to inclusive economic recovery in the U.S., has already exceeded its early targets, with more than US\$5.5 billion committed in just two years. And in Canada, BMO has committed \$100 million to launch Business Within Reach: BMO for Black Entrepreneurs. The program provides business owners with greater access to working capital, educational resources and professional partnerships to start up, scale up and grow.
- Made progress on our 10-year, \$12 billion commitment to finance affordable housing in Canada.
- Released *Wicihitowin ᐱᓯᐱᐱᐱᐱ*, our second annual Indigenous Partnerships and Progress Report, highlighting the partnership with Indigenous communities and BMO's Indigenous Advisory Council to further education, employment and economic empowerment.
- Advanced our Climate Ambition, which is to be our clients' lead partner in the transition to a net zero world and accelerated the work of the BMO Climate Institute leading cross-sectoral working groups on electrification and net zero capital allocation.



# Subsidiary governance

BMO has 134 subsidiaries in 14 jurisdictions worldwide, as at October 31, 2022. Effective governance of these entities is a critical risk management tool.

The Governance and Nominating Committee is responsible for overseeing the enterprise’s organizational structure and the activities of the subsidiaries. The Audit and Conduct Review

Committee acts as the independent audit committee for four of the Bank’s federally regulated financial institution subsidiaries. A Subsidiary Governance Office identifies and implements best-in-class subsidiary governance practices, including a Subsidiary Governance Framework that applies globally and includes three elements:



The Corporate Secretary’s Department has implemented a compliance program to meet the corporate law filing requirements for both the Bank and its subsidiaries. The program uses both

automated processes to notify members of the Corporate Secretary’s Department and other corporate areas of recurring filings, and robust manual procedures for event driven filings.



# Leadership diversity, development and succession planning

BMO's strategy is grounded in the strength of its people.

The board and the Human Resources Committee together oversee BMO's leadership.

The Human Resources Committee is responsible for overseeing BMO's human resources strategy bank-wide, including making sure BMO builds a strong and diverse team that can deliver the bank's business strategy, has a culture that supports and empowers its people, and talent processes that are simplified, integrated and digitized.

## Senior leadership succession

The board appoints the CEO and other members of senior leadership, and monitors their performance, goals, assessments and rewards. It oversees and monitors the CEO succession plan, and the succession strategy for all other senior leadership positions at least once a year.

The Human Resources Committee reviews BMO's senior leadership pipeline every year and develops succession plans for the CEO and other senior executive roles.

## Diversity, equity and inclusion

BMO provides equitable opportunities to all employees, regardless of gender, race, ethnicity, disability, sexual orientation, gender identity, religion, marital status or age. We are actively working to eliminate inequities both within and beyond the bank, and have set explicit workforce representation goals alongside our performance goals.

In 2020, BMO announced new multi-year workforce representation goals as part of our Zero Barriers to Inclusion 2025 strategy. A key goal is a minimum of 40-60% women at the senior leadership level, as well as goals to ensure strong representation of People of Colour at the senior leadership level. The strategy includes a commitment to developing diverse talent throughout the bank, including Latinx, Black and Indigenous employees, as well as People of Colour and 2SLGBTQ+. Also, our annual Count Me In campaign helps us understand our workforce diversity, through voluntary responses to the enterprise-wide diversity self-identification survey. This enables us to focus our inclusion efforts on programs that meet the needs of employees and create a workplace with zero barriers to inclusion that helps us live our Purpose to Boldly Grow the Good in business and life. In 2020, we updated two of our self-identification questions to expand and greater diversify the self-declaration process: (i) expanded the minorities in Canada question to allow employees to further self-identify their race/ethnicity; and (ii) replaced the former 2SLGBTQ+ self-identification question with two questions on sexual orientation and gender identity. In 2022 we improved the employee self-identification experience in the Count Me In Survey and we continue to further expand self-identification options.

A strong focus on diversity is built into succession planning and candidate assessment for all open senior leader positions. To monitor progress on the advancement of women and People of Colour and develop a healthy pipeline of diverse talent, BMO:

- Identifies top talent and implements development plans for high-potential diverse talent
- Monitors the number of diverse employees in senior leadership roles and those in the pipeline
- Identifies and removes barriers that diverse employees and those facing systemic barriers commonly encounter in their careers to provide access to leadership and development opportunities
- Requires that the profiles of diverse executives be reviewed and considered for openings on subsidiary boards

- > BMO introduced its Zero Barriers to Inclusion 2025 strategy in 2020, which renewed its commitment to diversity in senior management and committed to developing diverse talent throughout the bank, including Latinx, Black, and Indigenous employees, as well as People of Colour and 2SLGBTQ+.
- > Since 2016, over 40% of our senior leader roles have been held by women, and half of our independent nominee directors, are women.
- > Women's representation on BMO's Executive Committee is 27% as at October 31, 2022.
- > BMO was recognized in the 2023 Bloomberg Gender Equality Index for the eighth consecutive year, BMO Harris was recognized by Forbes as one of America's Best Employers for Diversity, and for the fourth consecutive year, received a perfect score on the Human Rights Campaign's Corporate Equality Index. BMO's Group Head, Wealth Management, Deland Kamanga, was named as a Catalyst Honours Champion Business Leader, and Ula Ubani, Vice-President, Chief Ethics Officer & Head, Customer Complaint Appeals, was among the recipients of the WXN (Women's Executive Network) Canada's Most Powerful Women: Top 100 Awards.
- > One of BMO's senior executives were recognized by 'American Banker': Ernie Johannson, Group Head, North American Personal and Business Banking, to its list of the Most Powerful Women in Banking (for the third consecutive year).
- > Deland and Ula are members of BMO's Leadership Committee for Diversity, Equity and Inclusion, BMO's Black and Latino Advisory Council, mentor young persons of colour and are champions of diversity, equity and inclusion at BMO.

Representation of women remains significant at all levels at BMO:

- Overall representation of women is 52.9% (Global, Oct 31, 2022)
- 42.0% of the bank's senior leadership roles (including the executive and managing director levels) are women (Global, Oct 31, 2022)
- 27% (3 out of 11) of BMO's Executive Committee are women.

In addition, two members of BMO's Executive Committee identify as a Person of Colour. While we have diversity goals at the senior leadership level, we do not establish separate diversity targets at the Executive Committee Level due to the small size of this group, however we do carefully consider a broad range of criteria for these positions such as characteristics, experience, and diversity (i.e. gender, age, ethnicity and geographic background) and the Human Resources Committee and board monitor the diversity of the Executive Committee closely through its oversight of executive appointments and succession planning.

For information on board diversity, please see Diversity and skills on page 12.

## Business practices

BMO's commitment to diversity, equity and inclusion extends to building sustainable business opportunities, building an inclusive society and thriving economy, including:

- Pledging \$200,000 in grants to recognize 26 women-owned businesses across North America for their contribution to social, environmental and/or economic sustainability outcomes through their organizations' policies, practices or products
- Announcing \$1.2 million in funding to SheEO – a not-for-profit company which offers financial support to businesses led by women and non-binary people. BMO's financial commitment will

- allow SheEO to fund all 2021 venture applicant companies working to achieve the United Nations Sustainable Development Goals
- \$5 billion commitment to support women business owners in Canada to mark International Women’s Day 2022 over five years, building on the commitment of \$2 billion in 2014 and \$3 billion in 2018
- Collaboration with Deloitte, a continuation of the *BMO Celebrating Women Grant Program*, pledging \$80,000 in grants to support the high-level growth plans of eight women-owned businesses across the United States and in Canada, pledging \$150,000 in grants to support the high-level growth plans of 12 women-owned businesses across Canada
- As part of EMpower, announced \$300 million for Women in Business and BMO for Black and Latinx Businesses to provide better access to affordable credit lending, meaningful partnerships, resources and tools to create more opportunity for growth and real financial progress
- Launched the WMNfintech program, a collaboration between BMO and 1871, designed for women-led fintech start-ups that create services or solutions for the financial sector, offer insights and advice to customers, or help identify customer needs
- BMO’s Community Benefits Plan outlines more than \$40 billion over five years in commitments to local communities across the bank’s expanded U.S. footprint after the approval and closing of its acquisition of Bank of the West. Over \$16 billion of the plan commitment is targeted for the State of California. This commitment includes: advancing home ownership; growing small businesses; strengthening communities; and creating a more equitable society.

## Communication and engagement

BMO and the board communicate directly with shareholders and other stakeholders in various ways and maintain ongoing dialogue to exchange ideas and receive constructive feedback.

- > Management’s Disclosure Committee oversees the timely public release of material information about BMO.
- > Disclosure controls and procedures ensure material information is effectively communicated in a timely manner to appropriate management.
- > Our Shareholder Engagement Policy (available on our website) promotes open dialogue and the exchange of ideas with shareholders.
- > Following receipt of a shareholder proposal last year, the Bank undertook a study to explore ways to increase employee participation in Board decision-making. You can read more about the study on page 81 of our 2022 Sustainability Report.

Engagement	+	Communication	+	Feedback
<p>BMO’s Shareholder Engagement Policy outlines how management and the board engage with shareholders, how they can communicate with us, and how to request a meeting with BMO directors.</p> <p>Board members meet with institutional shareholders and the board responds through management to questions or issues raised by retail shareholders (by telephone or email).</p> <p>The Corporate Secretary, Shareholder Services, Investor Relations department, and ESG/Sustainability team also have ongoing discussions with shareholders, and respond promptly to any questions, concerns and shareholder proposals.</p>		<p>Regular communication with shareholders includes:</p> <ul style="list-style-type: none"> <li>• quarterly earnings calls (live webcast with a question and answer period)</li> <li>• news releases</li> <li>• disclosure documents (annual report, management proxy circular, annual information form, sustainability report &amp; public accountability statement, climate report and quarterly reports)</li> <li>• industry conferences</li> <li>• our website</li> <li>• phone calls, letters and emails</li> <li>• our annual meeting of shareholders (which is also webcast live)</li> <li>• meetings with institutional shareholders (one-on-one and as a group)</li> </ul>		<p>BMO welcomes your feedback, and shares it with the board and committees to continually improve our governance practices, disclosure and communications.</p> <p>You can reach management by email:</p> <p><b>Management</b> corp.secretary@bmo.com</p> <p><b>Investor Relations</b> investor.relations@bmo.com</p> <p><b>Shareholder Services</b> corp.secretary@bmo.com</p> <p>You can also contact the Chair of the Board, and any of our directors or committee chairs using the information below.</p>

## Disclosure practices

BMO's Disclosure Standard includes guidance for determining whether information is material (as defined by securities legislation), and describes the proper and timely distribution of disclosure and material information. The Audit and Conduct Review Committee reviews and approves the standard every two years.

The Chief Financial Officer (CFO) and the General Counsel determine what information is material.

The Disclosure Committee (chaired by the CFO and made up of members of senior management) reviews all annual and interim filings before they are publicly released.

A rigorous attestation process supports CEO and CFO certifications of the adequacy of our financial disclosure. Our most senior executives make quarterly and annual representations specific to their area of responsibility to the Chief Accountant, including declaring that any potentially material issues they know of have been escalated to the Chief Accountant under our financial governance processes.

## Additional Documents

Documents available on our website ([www.bmo.com/corporategovernance](http://www.bmo.com/corporategovernance)) 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
- Climate Report

### Three ways to contact the board

- 1. Complete the form on our website**  
[www.bmo.com/corporategovernance](http://www.bmo.com/corporategovernance)
- 2. Write to the Chair of the Board**  
Chair of the Board of Directors  
BMO Financial Group  
P.O. Box 1, First Canadian Place  
100 King Street West, 21<sup>st</sup> Floor  
Toronto, Ontario M5X 1A1
- 3. Send an email**  
[board.directors@bmo.com](mailto:board.directors@bmo.com)

# Building an Effective Board

Good governance starts with our board of directors. We get the board composition and structure right by having well-informed candidates with diverse backgrounds and relevant experience and independence from management. This leads to better decision-making and more effective oversight that will ensure BMO's success.

The board and the Governance and Nominating Committee believe a relatively smaller board is more effective, while recognizing the need to maintain flexibility to address certain needs or opportunities as they arise. It reviews board size every year to make sure it will promote engagement and quality discussion with management, ensure the right caliber and scope of director expertise, allow for thoughtful director succession and provide for effective committee membership.

This year the board has proposed 13 directors for the board – all of the nominees currently serve as directors. Directors are elected for a one-year term. The board can appoint directors between shareholder meetings.

## **Selection** see page 12

- The Governance and Nominating Committee identifies and recommends suitable director candidates, with the help of professional search firms as needed.
- The Committee uses a skills matrix and diversity objectives to recruit directors who will enhance the strength and diversity of the board. It considers independence, possible conflicts, commitment and availability.
- Shareholders vote for individual directors – not for a slate – and directors who do not receive more *for* votes than *withhold* votes must offer to resign (see page 2 for our Majority Voting Policy).

## **Assessment** see page 18

- Individual directors evaluate the board, its committees and their effectiveness.
- The Board Chair meets with each director annually to receive feedback on peer performance and to provide an assessment on each director's individual performance.

## **Orientation and development** see page 14

- New directors learn about our business through BMO's director orientation program.
- All directors are provided with tools and information to make sure they are continuously improving their knowledge to support the complex and evolving role of director at a major bank.

## **Commitment and tenure** see page 17

- Directors are expected to attend all meetings of the board and the committees they serve on, and to come to meetings prepared.
- Age and term limits ensure ongoing board renewal, sustained board performance, and the addition of new expertise.
- Directors must offer to resign when their principal occupation changes, or at the end of a fiscal year where they attended fewer than 75% of the meetings of the board and the committees they serve on.

## Key Position Descriptions

The board reviews and approves position descriptions (available at [www.bmo.com/corporategovernance](http://www.bmo.com/corporategovernance)) 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.

# Independence

The board must be independent of management to be effective.

All members of the board are independent except our CEO, who is required by the *Bank Act* (Canada) to be a member of BMO's board. The board's policies limit the number of inside directors to two.

- > The board uses Director Independence Standards to determine whether a director is independent (available on our website).
- > BMO has an independent and non-executive Chair of the Board. This helps the board to operate independently of management and provides leadership to the independent directors.
- > All board committees are made up of independent directors.

Director independence	Independent Chair of the Board	Other independence mechanisms
<p>A director is independent if he or she does not have a relationship with the bank or any of its affiliates that could interfere with his or her independent judgment.</p> <p>The board uses Director Independence Standards to determine whether a director is independent (available on our website). The standards take into consideration the <i>Bank Act</i> (Canada) definition of affiliated persons, and the Canadian Securities Administrators (CSA) and NYSE definitions of independence.</p> <p>In its review of a director's independence, the board looks at his or her personal, business, and other relationships, and his or her dealings with the bank and its affiliates. This involves reviewing biographical information, reports, director questionnaires, bank records and reports, and information about entities the director is involved with.</p> <p>The threshold for independence is higher for members of our Audit and Conduct Review Committee.</p> <p>Certain relationships (for example, being an officer of the bank) automatically mean a director is not independent. According to the board's policies, only two of the board's directors can also be employees of the bank.</p> <p>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 these directors are independent under the standards.</p>	<p>BMO has an independent and non-executive Chair of the Board. This helps the board to operate independently of management and provides leadership to the independent directors.</p> <p>The Chair normally serves for five years with the possibility of renewal for another three years.</p> <p>The Governance and Nominating Committee is responsible for board Chair succession. The process includes identifying issues facing the bank and interviewing each director individually, as well as determining the most appropriate process for the board to make a final decision, which could include deliberation and a vote if more than one person has significant support.</p>	<p><b>Meeting without management</b> Every board meeting and board committee 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.</p> <p><b>Managing conflicts of interest</b> The Directors' Conflict of Interest Policy is designed to ensure independent decision-making by the board.</p> <p>The policy includes guidelines for identifying and dealing with conflicts when they arise. Directors or executive officers with a material interest in a matter do not receive related board or committee materials and are excluded from subsequent discussions or votes.</p> <p><b>Getting independent advice</b> The Chair and each committee can engage outside consultants paid for by the bank, without consulting management. This helps ensure they can receive independent advice.</p> <p><b>Serving on other boards</b> Outside directorships are monitored to make sure directors can operate with independent judgment and have the time available to commit to BMO's board. No more than two directors can serve on the same outside public company board (called a <i>board interlock</i>) without the consent of the Governance and Nominating Committee. In considering whether or not to permit more than two directors to serve on the same board, the committee takes into account all relevant considerations including, in particular, the total number of board interlocks at that time. There are no board interlocks as at the date hereof.</p> <p>Members of the Audit and Conduct Review Committee cannot serve on more than three public company audit committees without board approval.</p>

## Diversity and skills

The Governance and Nominating Committee follows the Board Diversity Policy when recruiting new directors. This includes, in addition to its own search, engaging qualified independent external advisors to conduct a search for candidates who meet the Board's skills and diversity criteria.

The committee looks at several criteria, including:

- Characteristics and experience: independence, ethics and integrity, range of experience, business judgment, areas of expertise, personal skills and qualities, availability and commitment
- Diversity by gender, age, ethnicity and geographic background including the *Bank Act* (Canada)'s residency requirements, with particular focus on potential candidates from Black, Indigenous peoples, People of Colour, 2SLGBTQ+ and disability communities.

The Governance and Nominating Committee's list of potential board candidates includes candidates with the foregoing diversity characteristics within the pool of candidates considered. The board aspires to have each gender make up at least one-third of the independent directors. Six of this year's nominated directors are women, representing 50% of the independent nominated directors (46.2% of the nominated directors) and one identifies as a Person of Colour (Asian), representing 8% of the independent nominated directors.

Three of the board's four standing committees are chaired by women. Notwithstanding the lack of current openings on the Board, the Board recognizes the need to further the representation of Indigenous peoples, People of Colour, persons with disabilities and members of the 2SLGBTQ+ communities on our Board. Our process is to review potential director candidates at each meeting of the Governance and Nominating Committee, and the candidate list is focused on these communities.

- > The board positions itself to be made up of highly qualified directors whose diverse backgrounds reflect the changing demographics of the markets in which BMO operates, the talent available with the expertise required, and the bank's evolving customer and employee base.
- > The skills matrix includes the ideal list of skills we need on BMO's board.
- > The board uses the matrix to review the skills of both individual directors and the board as a whole.



## Skills matrix

We capture the ideal list of skills for directors in four broad categories and record them in a skills matrix. The items in the list are reviewed every year and added to as necessary. We use this information to assess the overall strength and diversity of the board and when recruiting new directors.

In addition to the common skills which all of our directors possess, the directors have each identified their areas of specific expertise in their biographies above from the skills and definitions indicated below. The experience of our directors, including with respect to environmental matters, is described more fully in their respective profiles.

	Janice M. Babiak	Sophie Brochu	Craig W. Broderick	George A. Cope	Stephen Dent	Christine A. Edwards	Martin S. Eichenbaum	David E. Harquail	Linda S. Huber	Eric R. La Flèche	Lorraine Mitchelmore	Madhu Ranganathan
<b>Leadership and strategy</b>												
<b>Executive leadership</b> Experience as a senior executive/officer of a publicly listed company or major organization	●	●	●	●	●	●	●	●	●	●	●	●
<b>Human resources</b> Experience with benefit, pension and compensation programs (in particular, executive compensation programs)	●	●	●	●	●	●	●	●	●	●	●	●
<b>Strategic planning</b> Experience in the development and implementation of a strategic direction of a large organization	●	●	●	●	●	●	●	●	●	●	●	●
<b>Risk management</b> Knowledge of, and experience with internal risk controls, risk assessments and reporting	●	●	●	●	●	●	●	●	●	●	●	●
<b>Mergers and acquisitions</b> Experience with investment banking or mergers and acquisitions	●	●	●	●	●	●	●	●	●	●	●	●
<b>Accounting and finance</b> Knowledge of and experience with financial accounting and reporting, corporate finance and familiarity with internal financial/accounting controls, Canadian or U.S. GAAP and/or IFRS	●	●	●	●	●	●	●	●	●	●	●	●
<b>Legal</b> Experience as a lawyer either in private practice or in-house with a publicly listed company or major organization						●				●		
<b>Industry and transformation</b>												
<b>Financial services</b> Oversight, advisory or operational experience in the financial services industry other than serving as a director of the bank	●		●		●	●	●	●	●			
<b>Retail</b> Experience as a senior executive in a major products, services or distribution company	●	●		●		●			●	●		
<b>Information technology and security</b> Experience or knowledge relating to the information technology and security needs of a major organization	●	●	●	●				●	●	●	●	●
<b>Environmental, Social or Governance</b> Understanding and experience with corporate responsibility practices and the constituents involved in sustainable development practices	●	●		●	●	●		●		●	●	●
<b>Regulatory</b>												
<b>Public policy</b> Experience in the workings of government and public policy	●	●	●	●		●	●		●		●	
<b>Governance</b>												
<b>Other board experience</b> Served as a board member of a public, private or non-profit entity or advised public company boards on governance matters	●	●	●	●	●	●	●	●	●	●	●	●



## Orientation and development

The Governance and Nominating Committee is responsible for orientation and the continuing education and development of our directors.

New directors learn about our business through BMO's director orientation program. All directors are provided with tools and information to make sure they are continuously improving their knowledge to support the complex and evolving role of director at one of Canada's major banks.

The Chair of the Board facilitates in camera sessions at every board meeting, providing opportunities to further build relationships, confidences and cohesion among directors. These sessions also provide an opportunity for directors to provide feedback on board processes.

- > New directors learn about our business and operations through BMO's director orientation program, including one-on-one meetings with the heads of each of our operating groups and corporate functions.
- > Ongoing director education includes presentations and materials, and opportunities to learn about the business first-hand through site visits and interaction with management and employees.
- > Directors are encouraged to participate in relevant external education seminars at our expense.

Director orientation	+	Ongoing education	+	Engaging with management
Orientation by the Board Chair, the committee chairs and the CEO, to learn about the bank's history and culture, structure, strategic direction, current issues and opportunities, including how BMO differs from its peers. Sessions are held within six months of new directors joining the board.		Regular presentations on BMO's operations and regulatory briefings, to complement and enhance director 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.		Board dinners to strengthen the collegial working relationship among directors. These are scheduled alongside regular board meetings, and include educational sessions related to the bank's business and strategic direction presented by senior management or outside experts.
Director governance documents, policies, bylaws, compliance requirements and other information to ensure a smooth transition into their role as director.		Materials and reading recommendations from the Chair, committee chairs, the CEO and the Corporate Secretary.		There is regular engagement between directors and senior management between board meetings.
Individual meetings with the heads of each of our operating groups and corporate functions to learn about our business. Additional meetings and site visits may also be arranged.		Daily Media Briefing emails circulated each morning. Articles posted in the Resource Center of the Board portal.		Interaction with senior management and employees through the Executive Meets Directors programs to gain greater insight into the business and talent for senior management succession planning.

### Director orientation

The Corporate Secretary's Office is responsible for the director orientation program, which gives new directors the information they need to understand the bank, the financial industry and board operations so they experience a smooth transition into their roles as members of the board and board committees.

Each new director is immediately appointed to at least one board committee and each board committee also has an orientation program. New committee members receive orientation material for

each committee they serve on, and meet individually with the committee chair, the head of the supporting corporate group, and other senior officers as necessary.

The Chair of the Board and the Chair of the Governance and Nominating Committee personally welcome new directors, answering questions and assisting with the logistics of board meetings and board processes to ensure that their overall needs are met.

## Ongoing education

Directors are expected to continuously upgrade their knowledge about issues affecting our businesses, the financial services sectors we operate in, emerging trends and issues and significant strategic initiatives. Working with the Corporate Secretary, each committee chair identifies relevant and timely information for directors. Directors also identify their own continuing education needs in discussions with management, the board and committees. During the 2022 fiscal year, directors participated in educational and round-table sessions and received educational materials on the topics outlined below. They also received quarterly and ad hoc briefings on regulatory developments. The Session/topics below are aligned to our strategic priorities.

Session/topic	Audience (Board/Committee)
<b>Client loyalty</b>	
Spotlight: US Prime Brokerage	Risk Review
Spotlight: Asset-Based Lending – Special Purpose Vehicle Financing	Risk Review
Spotlight: Industry Diversification and Management: The Wholesale Industry Concentration Management and Framework	Risk Review
BMO Webinar: Accelerating an Indigenous-led Clean Energy Future; Roadmap Project: An Indigenous-led Paradigm Shift for Economic Reconciliation; and Reaching the EV Tipping Point	Chair, Audit and Conduct Review
Verisave Webinar: Critical Updates and Benchmarks: 2022 Credit Card Processing Fees	Chair, Audit and Conduct Review
<b>Winning culture</b>	
Winning Culture Update: Organizational Health Index	Board of Directors
Diversity, Equity and Inclusion Update	Board of Directors
Communications and Social Impact	Board of Directors
Global Pension Trends	Human Resources
BMO Sustainability Leaders Podcast: The Future of Remote Work & Diversity in Asset Management	Board of Directors
Canadian Public Accountability Board Financial Institutions Forum: Attracting and Retaining Talent (skills, technology, competition)	Chair, Audit and Conduct Review
Sobel & Co. Webinar – Gender Communication Differences in the Workplace	Chair, Audit and Conduct Review
<b>Digital first and simplify work</b>	
McKinsey & Company Presentation: Digital Assets Review: Web3 basics	Board of Directors
Digital Assets and Currencies Regulatory Update	Board of Directors
Open Banking Update	Board of Directors
Perspectives on Financial Technology Disruption Over the Next 10 Years	Board of Directors
Spotlight: Data Analytics	Audit and Conduct Review
AML Whitepaper – Emerging Technologies and Digitization	Audit and Conduct Review
Update on Significant Changes in Governance Rules and Regulations: SEC Proposes Cybersecurity Disclosure and Reporting Requirements For Public Companies	Governance and Nominating
<b>Manage Risk</b>	
Climate Essentials Course	Board of Directors
BMO Sustainability Leaders Podcast: Tackling Climate Change in Metals and Mining; Sustainability Strategy and Reporting for Small and Medium Sized Companies: Distinguishing Between Impact & Risk in Sustainable Finance; and Investment Opportunities for a Net-Zero Economy	Board of Directors
Sustainability: Climate Change Briefing	Audit and Conduct Review
Cyber Briefing – Threat Intelligence	Audit and Conduct Review
Basel III Reforms Update	Audit and Conduct Review
The Washing Machine: BMO's Monthly AML Newsletter	Audit and Conduct Review
Spotlight: Climate Change Governance	Risk Review
Update on Significant Changes in Governance Rules and Regulations: Convergence of Disclosure Standards and Formation of International Sustainability Standards Board; SEC Letters to Issuers on Climate Change Disclosures; OSFI Discussion Paper on Climate-Related Risks in the Canadian Financial Sector & Bank of Canada and OSFI Report on Using Scenario Analysis to Assess Climate Transition Risk; Court Decision Upholds Federal Jurisdiction over GHG Emissions; IOSCO Report on ESG Rating Services; Glass Lewis ESG Profile; OSFI Publishes Draft Version of Guideline B-15 "Climate Risk Management"; SEC Proposes Expansive Climate-Related Disclosure Rules; International Sustainability Standards Board Releases Draft Sustainability and Climate Change Disclosure Proposals for Public Comment; The Accounting Standards Oversight Council and Auditing and Assurance Oversight Council Mutually Approve the Formation of the Canadian Sustainability Standards Board	Governance and Nominating
Global Risk Institute: Board Risk Oversight and Insight Forum	Chair, Risk Review
Accenture Cyber Forum: Cybersecurity Briefing – the Russia Ukraine Crisis	Chair, Audit and Conduct Review
ICD Canada Webinar: Canada's Proposed Cybersecurity Bill C-26: What Board Members Need to Know	Chair, Audit and Conduct Review
CPA Canada, the Institute of Corporate Directors and the Independent Review Committee on Standard Setting in Canada: The Future of Financial and Non-Financial Reporting Standards, including Sustainability	Chair, Audit and Conduct Review

Session/topic	Audience (Board/Committee)
CPAB Roundtable for Public Company Audit Committees: Update on CPAB Regulatory Assessments, Disclosures and Strategic Plans; ESG – Assurance Providers and Controls Reliance; Talent Shortages – Audit Firms, Businesses and Specialists; and Cybersecurity – Sharing Best Practices	Chair, Audit and Conduct Review
E&Y Webinar: What Audit Committees Need to Know: Inflation; Labour Markets; Supply Chain; Global Tax Reforms; and Financial Reporting and SEC Developments including Climate Change and Cyber	Chair, Audit and Conduct Review
Deloitte Audit Committee Symposium: Enterprise Risk in the Era of ESG: What is the Audit Committee’s Role; Cyber Risk: The Need for Continued Diligence; The Evolving Role of the Audit Committee: Priorities and Practices; Conversation with Regulators; Ethics and Compliance: Emerging Risks in a New Environment	Chair, Audit and Conduct Review
NYU School of Law: Future-Proofing Boards to Drive Success and Enterprise Risk Management Frameworks	Chair, Governance and Nominating
Cornerstone Research: The Evolving SEC Landscape: Jarkesy v. SEC and the Proposed Climate Change Rules	Chair, Governance and Nominating
<b>Governance</b>	
BMO Quarterly Sustainability Update Newsletter	Board of Directors
Update on Significant Changes in Governance Rules and Regulations: SEC Proposal on Proxy Advisors; SEC Rule on Universal Proxies; When CEOs Should Speak Out on Social and Political Issues and the Board’s Role; Department of Finance Canada Issues Corporate Governance Consultation: Improving Diversity and Facilitating Electronic Communications in Federally Regulated Financial Institution; CSA Propose “Access Equals Delivery” Model for Prospectuses and Certain Continuous Disclosure Documents; CBCA: Majority Voting and Voting Against Directors and Shareholder Proposal Deadline – Update; SEC Proposes Amendments to the Shareholder Proposal Rule – Update; SEC Adopts Amendments to Proxy Rules Governing Proxy Voting Advice – Update; BlackRock’s 2022 Investment Stewardship Report	Governance and Nominating
Women Corporate Directors Nominating / Governance Peer to Peer Exchange (WCD): The 2022 Proxy Season – What Directors Need to Know	Chair, Governance and Nominating
Women Corporate Directors (WCD) Nominating / Governance Peer to Peer Exchange: Board Refreshment	Chair, Governance and Nominating
KPMG Board Leadership Center Webcast: What Boards Should have on their Agenda in 2022	Chair, Governance and Nominating
WCD and Edelman: “To Speak or Not to Speak: The Board’s Role in Societal & Geopolitical Engagement	Chair, Governance and Nominating
Odgers Berndtson Roundtable Discussion for 12 FTSE Senior Independent Directors: Governance Structures for ESG and Board Evaluations	Chair Audit and Conduct Review
<b>The economic environment</b>	
Street Views on Canadian Banks & Investing Themes	Board
BMO Capital Markets North American Outlook: A Look Ahead at the Canadian and American Economies	Risk Review
International Association of Credit Portfolio Managers Webinar – Economy & Credit Strategy Outlook	Chair, Risk Review
American Economics Association Conference: Time-Varying Beliefs, Economic Activity and Infectious Disease	Board Member
Evolve Investment Summit: Global Trends Shaping the Future of Finance; Asset Allocation in a post-COVID era; Next Generation Investment – Innovation in Financial Services; ESG Evolution – Meaningful Measurement; and Emerging Markets	Board Member
Nobel Symposium; Covid-19 and the Economy: Policies and Impacts	Board Member
Reichman University Seminar: Expectations, Infections and Economic Activity	Board Member
IMF Webinar: Macroeconomics of Pandemics	Board Member

In 2022 directors also attended external conferences and events on a range of topics including: oversight of talent, strategy and risk; the shift to automation and change in controls; open banking; fintech; accelerating fraud investigations by automating data preparation; ransomware scenario simulation; regulatory developments in cybersecurity and data privacy; cybersecurity incident and risk governance disclosures; expectations for AML compliance; and executive compensation trends.

# Commitment and tenure

Directors are required to devote enough time and energy to effectively carry out their duties to the bank and the board. Board meetings are set well in advance, and directors are expected to attend all meetings of the board and of the committees they serve on. Committee meeting minutes are also provided to all directors who are not on the committee.

They must come to meetings prepared: directors are given timely access to comprehensive board materials, including minutes from previous board and committee meetings, and are expected to review them before each meeting. This helps facilitate discussion and makes sure directors are properly prepared to probe, challenge management and exercise informed business judgment.

## Tenure

The board’s Director Tenure Policy is designed to ensure ongoing board renewal, sustained board performance, and the addition of new expertise. The policy includes age and term limits for directors, the Chair and committee chairs. In exceptional circumstances, the board can waive the term or age limits for any role when it is in BMO’s best interests. Executive directors must resign from the board when they are no longer employed by the bank. The board can, however, ask a former CEO to continue as a director for no more than two years.

- > Directors are expected to attend all meetings of the board and of the committees they serve on, and to come to meetings prepared.
- > Directors with total attendance of less than 75% must offer to resign at the end of the fiscal year.
- > Age and term limits ensure ongoing board renewal.

Outside directorships are monitored to make sure directors can operate with independent judgment and have the time available to commit to BMO’s board.

Age limit	Age 72 (or after at least 10 years on the board)
Term limits	<div><b>Directors</b><ul style="list-style-type: none"><li>• 15 years (20 years for directors who joined the board before January 1, 2010)</li></ul></div> <div><b>Chair of the Board</b><ul style="list-style-type: none"><li>• 5 years, with the possibility of renewal for another three years regardless of age or tenure on the board</li></ul></div> <div><b>Committee chairs</b><ul style="list-style-type: none"><li>• 5 years, with the possibility of renewal for another three years.</li></ul></div>

## Assessment

The Governance and Nominating Committee is responsible for overseeing the annual board assessment process which includes individual directors, the board and committee chairs and the overall functioning of the board and its four committees.

The board also uses the skills matrix (see page 13) to assess individual skills and board composition.

We assess effectiveness by considering:

- > How well the board and its committees are functioning
- > Whether the board and committee chairs are effective
- > Using peer and other feedback to review individual director performance

Director effectiveness	+	Board and committee chair effectiveness	+	Board and committee effectiveness
<p><b>Annual director survey</b> The survey is completed by every director, and includes:</p> <ul style="list-style-type: none"> <li>• an assessment of the board and committees against: <ul style="list-style-type: none"> <li>• operation of the board and each committee</li> <li>• adequacy of information provided to directors for board and committees</li> <li>• agenda planning for meetings</li> <li>• strategic direction and process, including regarding IT, information security, industry disruptors, evolution of ESG issues and implementation of sustainability strategy</li> </ul> </li> <li>• the board and committee goals for the year.</li> </ul> <p>Results are compiled confidentially by an outside consultant.</p> <p><b>Individual interviews and peer review feedback</b> Each director meets with the Chair, who:</p> <ul style="list-style-type: none"> <li>• asks for candid feedback from the director on board and committee effectiveness, as well as individual director performance</li> <li>• provides feedback on the director's performance relative to the performance standards under the director position description as gathered from assessments from each of the director's peers.</li> </ul> <p><b>Feedback</b> After the interviews, the Chair summarizes the themes and develops the board goals for the coming year.</p> <p>The Governance and Nominating Committee monitors and tracks progress against opportunities for improvement that were identified in the self-assessment process. The Governance and Nominating Committee also uses the results of assessments to recommend the mix of directors, process improvements, and continuing education opportunities.</p>		<p><b>Annual board chair review</b> The Governance and Nominating Committee assesses the Chair's performance against the position description, taking into account the input from each director.</p> <p>The results are reviewed with the board and the Chair.</p> <p><b>Annual committee chair review</b> The Governance and Nominating Committee assesses the contribution and effectiveness of each committee chair against the committee's objectives and the position descriptions.</p> <p>The Chair meets with each committee chair to provide feedback.</p>		<p>The board and its committees continuously refine various aspects of their practices.</p> <p><b>Setting objectives</b> Issues are identified every year that help with creating annual objectives for the board and its committees.</p> <p><b>Ongoing assessment and follow-up</b> Board and committee objectives are set out in board packages.</p> <p>Progress against the objectives is discussed at each board and committee meeting.</p>

# Director Compensation

We pay director compensation to our non-employee directors. Darryl White is compensated in his role as BMO's chief executive officer (see page 67 of our circular).

The Governance and Nominating Committee benchmarks director compensation against a peer group of companies to make sure the program is competitive and consistent with the responsibilities of directors, and reviews director compensation annually.

Directors receive an annual retainer that includes equity in the form of DSUs and cash. They can choose to take all or some of the cash portion of their retainer, plus their chair retainers, committee memberships, special meeting fees and the travel allowance, as additional DSUs or shares if they have met the minimum share ownership requirements described below.

## Fee structure

We pay directors a flat fee, and expect them to be available to represent the bank 365 days a year. While meetings are important, the role of a director includes being attentive to the bank's interests at all times, providing advice outside of meetings and identifying opportunities for BMO as appropriate.

We reimburse directors for any expenses they incur while carrying out their duties. From time to time, our non-employee directors also serve as directors of our subsidiaries and affiliates. They are paid for this service, and reimbursed for travel and other expenses they incur for these board and committee meetings.

## 2022 director fee table

Type of fee	Fiscal 2022
<b>Board retainer</b>	
Chair of the Board (includes attendance at meetings of all four committees)	\$435,000 per year: <ul style="list-style-type: none"><li>• \$ 185,000 in DSUs</li><li>• \$ 250,000 in cash</li></ul>
Directors (includes one committee membership)	\$225,000 per year: <ul style="list-style-type: none"><li>• \$ 150,000 in DSUs</li><li>• \$ 75,000 in cash</li></ul>
<b>Committee chair retainers</b>	
Audit and Conduct Review Human Resources Governance and Nominating Risk Review	\$50,000 per year
<b>Committee and meeting fees</b>	
Committee memberships (in excess of one)	\$15,000 per committee
Special board meetings (in excess of five)	\$2,000 per meeting
Special committee meetings (in excess of five)	\$1,500 per meeting
<b>Travel allowance</b>	
If the director's principal residence is two or more time zones away from Toronto or outside Canada	\$20,000 per year

The following fees increased as of November 1, 2022:

- annual director retainer increased by \$25,000 (\$12,500 paid in DSUs and \$12,500 paid in cash)
- Chair of the Board retainer increased by \$50,000 (\$25,000 paid in DSUs and \$25,000 paid in cash)
- Committee chair retainer increased by \$5,000 paid in cash.

## Share ownership

To make sure they have a vested interest in our success, every non-employee director is required to hold, within 5 years of their appointment or election to the Board, at least 11 times the cash retainer portion of their annual retainer in BMO shares or DSUs. Mr. White is required to meet executive share ownership requirements (see page 68 of our circular).

Under our guideline for share ownership in our board policies, we calculate share ownership using the closing price of BMO shares at the end of the fiscal year, or, if higher, the share acquisition cost or value of DSUs at the time they were credited.

### About DSUs

Deferred share units (or DSUs) are ownership interests that have the same economic value as shares. DSUs vest immediately and accrue dividend equivalents when dividends are paid on BMO shares.

Newly appointed directors can build up their share ownership over time but must receive all of their compensation in DSUs or shares until they meet their minimum ownership requirement.

### Anti-hedging

The board's Anti-Hedging Policy prohibits directors, senior executive officers and employees from hedging their economic interest in bank shares, securities or related financial instruments (see page 61 of our circular).

