

# Statement of Corporate Governance Practices

## At a glance

- Our high corporate governance standards reflect emerging best practices and meet or exceed legal, regulatory, Toronto Stock Exchange (“TSX”) and New York Stock Exchange (“NYSE”) requirements
- We monitor regulatory changes and best practices in corporate governance to ensure we have leading governance practices

## Overview

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

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

This document communicates our corporate governance practices to you, our Shareholder.

CORPORATE GOVERNANCE SNAPSHOT			
Size of the Board	13	Policy on Interlocking Directors	✓
Number of independent directors	12	Director Tenure Policy	✓
All committee members are independent	✓	Director Share Ownership Guidelines	✓
Directors are elected annually	✓	New Director Orientation	✓
Directors are elected individually	✓	Continuing Director Development	✓
Majority Voting Policy for the election of directors	✓	Regular assessments of the Board and its committees	✓
Annual advisory vote on approach to executive compensation	✓	Code of Business Conduct and Ethics rooted in core values	✓
The roles of Chairman and CEO are separate	✓		

## I. Board Structure

### At a glance

- Our Board’s role is to enhance Shareholder value, through a rigorous approach to accountability, performance and corporate governance
- Regular assessment of the Board ensures it has the appropriate number of members and diverse expertise to make effective decisions
- The Board annually reviews written position descriptions for the Chairman of the Board (“Chairman”), the Chief Executive Officer (“CEO”), committee chairs, and directors

## Role of our Board

The Board supervises management of our business to enhance Shareholder value. The Board’s Mandate, set out on pages 44 and 45, outlines its general responsibilities. The Board Approval/Oversight Guidelines define its roles and responsibilities, plus those of management and also specify accountability within the Bank. The *Bank Act* (Canada) requires certain important matters, such as approval of financial statements and dividends, be approved by the Board and not delegated to Board committees.

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

### Composition of our Board

The Board considers its size annually, while the Governance and Nominating Committee does so regularly. At the beginning of 2015, there were 13 directors on the Board. Factors that are considered in determining Board size include the ability to ensure a high level of engagement of Board members, a high quality of discussion with management, the calibre and scope of its members' expertise, and the ability to ensure Board committees have sufficient members and the required expertise. The Board has adopted a written Board Diversity Policy to facilitate more effective governance. In so doing, the Board positions itself to be made up of highly qualified directors from diverse backgrounds and who reflect the changing population demographics of the markets in which the Bank operates, the talent available with the required expertise, and the Bank's evolving customer and employee base. The Board Diversity Policy includes the goal that each gender comprise at least one-third of the independent directors, and the Governance and Nominating Committee considers this when undertaking the process of recruiting new Board members. The Board believes a relatively smaller Board size is more effective, while recognizing the need to maintain flexibility to address certain needs or opportunities as they arise. As a result of the retirements of Messrs. Astley and Mitchell at the Bank's annual meeting of Shareholders to be held on March 31, 2015, two new nominees, being Mr. Martin S. Eichenbaum and Ms. Lorraine Mitchelmore, as well as the remaining current 11 directors will stand for election at the 2015 Shareholder meeting. The Board believes the Board's current size of 13 directors is appropriate and effective. The current Board has 4 women directors, representing 33.3% of the 12 independent directors. The newly constituted Board, assuming the election of the two new nominee directors at the 2015 Shareholder meeting, will have 5 women directors, representing 41.7% of the 12 independent directors who will then sit on the Board.

Directors are elected for a term of one year. Between Shareholder meetings, the Board may appoint additional directors. The Board believes that its current membership has the expertise, skills, geographic representation, diversity, and size to make effective decisions and staff Board committees appropriately, and that the newly constituted Board after the 2015 Shareholder meeting will be similarly qualified and effective.

### Key Position Descriptions

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

## II. Independence

#### *At a glance*

- *All nominees standing for election at the annual meeting of Shareholders are independent and unaffiliated, except William Downe, CEO*
- *The independent Chairman allows the Board to operate independently of management and gives directors an independent leadership contact*
- *In camera sessions, attended only by the independent directors, are held at every Board meeting and every committee meeting*

### Director Independence

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

The Board, with help from the Governance and Nominating Committee, uses the Standards to assess personal, business, and other relationships and dealings between directors and the Bank and

between directors and the Bank's affiliates. The Board considers biographical material, reports, and questionnaires completed by directors as well as Bank records and reports, and information on entities with which the directors are involved. The Board considers these relationships keeping in mind both the importance to the Bank and the importance to, and impact on, the people and organizations with which the director has relationships.

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

William Downe has a material relationship with the Bank because he is the Bank's CEO. Under the *Bank Act* (Canada), the Bank's CEO must be a member of the Board. All other directors and nominees standing for election to the Board on March 31, 2015 are independent and unaffiliated. The Board's policies limit the number of inside directors to two.

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

Information on the director nominees standing for election is on pages 11 to 19, which includes other public company boards on which they serve, the value of their equity holdings in the Bank, and their attendance record for all Board and committee meetings in fiscal 2014.

### Board Interlocks and Outside Board Memberships

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

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

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

Company Name	Director	Committee Membership (at other public company)
Bell Canada/BCE Inc.	Sophie Brochu	Audit Committee, Corporate Governance Committee
	George Cope	N/A

### Independent Chairman

The roles of Chairman and CEO are separate. The Chairman manages the Board's affairs to ensure that the Board functions effectively and meets its obligations and responsibilities, including responsibilities to Shareholders. The position description for the Chairman, available on our website, sets out the Chairman's key responsibilities, which include setting Board meeting agendas in consultation with the CEO and chairing all Board meetings.

The Chairman provides leadership to the directors and ensures the Board is independent from management. Each Board meeting includes time for independent directors to meet with the Chairman, without management present. Similar meetings also take place outside of Board meetings, discussion at which includes topics like succession planning, risk management and strategy. Each Board committee, during each of its meetings, also has a scheduled session without management present.

The Board has established a process for the appointment or a change in, and appointment of, the Chairman. That process is led by the current Chairman or, if he or she is being considered for reappointment, the chair of the Governance and Nominating Committee. That process includes identification of issues facing the Bank, individual consultations with all directors, as well as determination of the most appropriate process for the Board to make a final decision, which may involve deliberation and a vote if there is more than one person enjoying significant support. Under current Bank policies, the normal term for the role of Chairman will be five years with one possible renewal for a maximum of three years.

### **Other Independence Mechanisms**

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

## **III. Orientation and Continuing Education**

### *At a glance*

- *New directors learn about our business through one-on-one meetings with the heads of each of our principal business groups*
- *The Governance and Nominating Committee is responsible for directors' continuing education*

### **New Director Orientation**

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

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

### **Continuing Director Development**

The Governance and Nominating Committee is responsible for the continuing education and development of our directors. Directors receive presentations on Bank operations throughout the year. They also receive materials and reading recommendations from the Chairman, committee chairs, and the CEO. Topics include corporate governance, executive compensation, financial reporting and strategy, succession planning, key accounting considerations, risk assessment and disclosure, and Canadian and U.S. securities law developments. Directors are also encouraged to participate in relevant external education seminars at our expense.

The Governance and Nominating Committee, in conjunction with the Bank's Institute for Learning, has developed a comprehensive and balanced online director education program consisting of didactic learning via electronic medium and self-directed learning. The Governance and Nominating Committee also coordinates issues-based discussions. Continuing education and development of our directors in 2014 is summarized on pages 20 and 21.

Directors identify their specific continuing education needs in discussions with management, the Board and committees. Committee meeting minutes are also provided to all directors who are not on the committee.

## IV. Strategic Planning and Risk Oversight

### *At a glance*

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

### Strategic Planning

The Board reviews and approves our strategic plans, including key initiatives, opportunities, risks, competitive position, financial projections and other key performance indicators for each of our principal business groups.

An annual strategy session helps directors better appreciate planning priorities and progress made on strategic plans. Directors give management constructive feedback on our strategic plans and the strategy session itself. Feedback from directors and management is key to planning the next year's session. Directors receive updates on the progress of our strategic plans, including those for each principal business group, throughout the fiscal year.

### Risk Oversight

Our enterprise-wide risk management framework is comprised of a governance structure that includes a robust committee structure and a comprehensive set of corporate policies, which are approved by the Board or its committees, together with supporting corporate standards and operating guidelines. This enterprise-wide risk management framework is governed through a hierarchy of management committees and individual responsibilities. All elements of our risk management framework are reviewed on a regular basis by the Risk Review Committee of the Board to provide effective guidance for the governance of our risk-taking activities. See pages 31 and 32 for information on the responsibilities of the Risk Review Committee. Further information on our risk management framework, including the risk oversight responsibilities of the Board and its committees, our risk appetite, risk policies and limits, is set out on pages 77 to 105 of our Management's Discussion and Analysis for the fiscal year ended October 31, 2014 (available on our website).

## V. Ethical Business Conduct

### *At a glance*

- *Our Code of Business Conduct and Ethics provides ethical guidance and is rooted in our core values*
- *We foster an ethical culture by providing an environment where concerns can be raised without fear of retaliation*

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

A key aspect to fostering an ethical culture is providing an environment where concerns can be raised without fear of retaliation. We support this and provide various means for concerns to be

raised and grant anonymity if the person raising the concern wishes. All concerns are investigated and proven breaches of the Code are dealt with swiftly and decisively.

The Board has also implemented whistleblower procedures for officers and employees to confidentially and anonymously report concerns about accounting, internal accounting controls, or auditing matters.

To ensure ethical and independent decision-making by the Board, we have a protocol to identify and deal with director conflicts of interest. Directors or executive officers with a material interest in a matter do not receive related Board or committee materials, and are not present for any related discussion or vote.

## VI. Directors – Becoming a Director, Sitting as a Director, Assessment, and Resignation Policy

### *At a glance*

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

### **Becoming a Director – Nomination and Election of Directors**

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

The policy on majority voting to elect directors is described on page 5. See page 22 for a skills matrix setting out the skills and expertise of each of the nominee directors standing for election at the 2015 Shareholder meeting.

### **Board Tenure**

Non-employee directors on the Board average eight years of service. Service ranges from more than two years to 16 years.

The Board approved a new approach to its Director Tenure Policy in 2009, as refined in 2011 and 2013, to ensure ongoing Board renewal, sustain Board performance, and add expertise. Directors who joined the Board prior to January 1, 2010 may serve until the earlier of when they turn 70 years of age or they have served 20 years. Directors who joined the Board on or after January 1, 2010, may serve until the earlier of when they turn 70 years of age or they have served 15 years. However, all directors will be allowed to serve for at least ten years, regardless of their age. In addition, the Chairman may serve a full five year term as Chairman with one possible renewal for a maximum of three years, regardless of his or her age or how long he or she has been on the Board. In addition, the Board may recommend any

director for re-election for additional terms, after age 70 or the expiry of the relevant 15 or 20 year term, in exceptional circumstances and to further the best interests of the Bank.

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

### **Expectations and Responsibilities of Directors**

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

### **Director Compensation**

The Governance and Nominating Committee annually reviews and benchmarks directors' compensation against their peer group to ensure it is competitive and consistent with the responsibilities of directors. A flat fee structure was adopted in fiscal 2012 (see page 23 for further information about our director compensation philosophy). Directors' compensation is disclosed on pages 23 and 24.

The Board approved amendments to the director share ownership guidelines, effective October 25, 2011, in conjunction with the adoption of its flat fee structure (see page 23). Each non-employee director must hold at least eight times the cash retainer portion of the annual fee in either Shares or deferred share units. Newly appointed board members would be expected to build up the minimum share ownership requirement over time, which is accelerated by all remuneration being required to be paid in DSUs or in Shares until the requirement is met. At February 6, 2015, all non-employee directors met the minimum share ownership requirements, except for Ms. Babiak who joined the Board on October 23, 2012. Directors' current Share and deferred share unit holdings are listed in their respective profiles on pages 11 to 19.

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

### **Assessment of the Board, Committees, Directors, and Chairs**

Each director annually completes an anonymous Board self-assessment survey, the results of which are compiled confidentially by an outside consultant, and has an annual one-on-one interview with the Chairman. The interview typically covers the operation of the Board, the adequacy of information provided to directors, Board structure, agenda planning for Board meetings, and strategic direction and process. The Board uses a skills matrix (see page 22) to review the skills of directors and the Board as a whole. The matrix outlines skills and experience based on broad categories relating to business and management skills and capabilities.

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

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

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

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

The Governance and Nominating Committee monitors and tracks progress of improvement opportunities identified through the self-assessment process.

## Resignation Policy

Directors must offer to resign if they:

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

The Governance and Nominating Committee will recommend to the Board whether to accept or reject the resignation, which resignation in the event of failing to achieve a majority vote at a Shareholder meeting shall be accepted absent exceptional circumstances.

## VII. Committees of the Board

*At a glance*

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

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

It sets standards of business conduct and ethics for directors, senior management, and employees and reviews reports on "environmental, social and governance" issues. It oversees procedures for complying with self-dealing provisions of the *Bank Act* (Canada). It also monitors consumer protection measures and procedures for dealing with customer complaints, plus the use and disclosure of personal customer and employee information.

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

See pages 27 and 28 for a report on this committee's membership and activities in 2014. Additional Information respecting this committee is set out in our 2014 Annual Information Form under "Audit and Conduct Review Committee Information".

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

See pages 28 and 29 for a report on this committee's membership and activities in 2014.

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

The Human Resources Committee works with a full-time executive responsible for talent strategies. It annually reviews succession planning for the CEO and all senior executives. This includes a thorough review of potential successors' capabilities and development plans. This committee also

annually reviews the in-depth talent and succession report for the entire executive group. This assessment, which includes roundtable talent assessments of the Bank's executives, also details the current and projected leadership demographics, vacancy risks and capabilities and readiness of the successor pool. This committee also reviews detailed reporting on the profile, capabilities and development planning of the Bank's emerging leaders against the projected executive needs of the Bank. In addition, the Human Resources Committee assesses the enterprise's culture, including diversity, inclusion and employee engagement.

See pages 30 and 31 for a report on this committee's membership and activities in 2014.

**The Risk Review Committee**—helps the Board perform its oversight duties for identifying and managing risk and complying with risk-related regulatory requirements. This committee reviews the organizational structure, resources and effectiveness of the risk management function, our risk appetite statement, management's evaluation of the performance of our risk rating systems, and, together with management, the effectiveness of our systems for calculating risk-based capital requirements. It also reviews and, as applicable, approves our risk management corporate policies, transactions involving a material amount of risk and the methods and procedures management uses to control key risks.

See pages 31 and 32 for a report on this committee's membership and activities in 2014.

## VIII. Communications and Shareholder Engagement

### *At a glance*

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

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

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

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

Our Shareholder Engagement Policy encourages open dialogue and the exchange of ideas with our Shareholders. We communicate with Shareholders and other stakeholders through various channels, including our annual report, management proxy circular, annual information form, Environmental, Social and Governance Report and Public Accountability Statement, Corporate Responsibility Report, quarterly reports, news releases, website, industry conferences and other meetings from time to time. In addition, our quarterly earnings call is open to all, and features a live webcast and question and answer period. We also hold our annual meeting of Shareholders at different locations across Canada, with a live webcast, so all our Shareholders can participate.

Feedback from institutional Shareholders comes from one-on-one or group meetings and from informal surveys by our Investor Relations department. Feedback from retail Shareholders usually comes by email or telephone. Our Investor Relations and Corporate Secretary's departments reply promptly to Shareholder concerns and take appropriate action. The Board believes these procedures reflect best practices in Shareholder engagement.

To communicate directly with the Board, Shareholders can use the contact details below, in item XII, "Contacting our Board".

## IX. Gender Diversity in Senior Management

As part of the Bank's leading talent practices, we work to ensure diversity in our succession slates (which include 3 potential successors for every executive position), as well as in candidate slates for all open executive officer positions. To monitor our progress on the advancement of women and develop a healthy pipeline of female talent, we also:

- Identify top talent and implement development plans for high-potential women
- Monitor the number of women in senior leadership roles and those in the pipeline as emerging leaders at monthly talent roundtable meetings with senior leaders
- Developed a sponsorship program connecting female talent with senior leaders to accelerate the development and advancement of high-potential women

In 2012, the Bank renewed its commitment to diversity and inclusion, revitalizing our strategy and creating representation goals for women across our company. Our current objective is to reach 40% representation of women in senior leadership positions (including the executive and managing director levels) by 2016. As of December 31, 2014, we were at 36%.

Our representation goals for women do not explicitly focus on our executive officer positions; however, our overall company goal creates a healthy feeder pool that supports planning and succession strategies at the most senior levels of the Bank. This focus allows us to ensure the continued growth of women among our senior leadership ranks. As of October 31, 2014, 1 out of 13 (or 7.7%) executive officer positions were held by women.

## X. Compliance with NYSE Standards

We are required to disclose any significant differences between our governance practices and those required by NYSE standards for U.S. domestic issuers of which only one difference exists. The NYSE requires Shareholder approval for all equity compensation plans and any material changes to such plans (with a few limited exceptions). This applies whether the securities in a plan are newly issued or bought over the open market.

In contrast, the TSX rules, with which we have elected to comply, require Shareholder approval of equity compensation plans only if they involve newly issued securities. Additionally, the TSX requires Shareholder approval every three years of plans that do not have fixed limits of Shares to be issued. If a plan includes procedures for amendment, the TSX requires Shareholder approval of amendments only if the plan specifically requires that approval or if the amendment does any of the following:

- reduces the exercise price or extends the term of options held by insiders under the plan
- removes or exceeds limits on insider participation under the plan
- increases any fixed limit on the number of securities to be issued under the plan
- changes the amendment procedure of the plan

## XI. Additional Governance Information

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

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

Financial information about us is in our consolidated financial statements and management's discussion and analysis for the fiscal year ended October 31, 2014. Copies of these are available from the Corporate Secretary's department at the address above. This (and other information about the Bank) is available on our website, on SEDAR (System for Electronic Document Analysis and Retrieval) at [www.sedar.com](http://www.sedar.com), and on the SEC website at <http://www.sec.gov/info/edgar.shtml>.

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

- Our code of business conduct and ethics
- The Board Mandate and charters for each of the Board's committees

- Position descriptions for each of the Chairman, the committee chairs and the directors
- Director Independence Standards
- Statement of Corporate Governance Practices
- Shareholder Engagement Policy
- Board Diversity Policy
- Environmental, Social and Governance Report and Public Accountability Statement

## **XII. Contacting our Board**

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

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