

Bank of Montreal

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES

As at February 10, 2025



# Guide to the 2025 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 2025 management proxy circular dated February 10, 2025
- *board* means BMO's board of directors

Information in this document is as at February 10, 2025 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.

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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 relevant skills and qualifications, diverse experience and perspectives, 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.

- > 2024 World's Most Ethical Companies® – Ethisphere Institute
- > Ranked among the most sustainable companies on the Dow Jones Sustainability North America Index (DJSI)
- > 2024 Best 50 Corporate Citizens in Canada – Corporate Knights
- > Ranked as one of the Canada's Most Admired™ Corporate Cultures - Waterstone Human Capital

# 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 specify 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.

At BMO, we continue to build a high-performing, digitally enabled, future-ready bank with engaged employees and a winning culture.

Anchored by our Purpose – to Boldly Grow the Good *in business and life* – we are guided by our values and driven by our strategic priorities:

- > **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
- > **Be our clients' lead partner** in the transition to a net zero world
- > **Superior management** of **risk, capital** and **funding** performance

## BMO's governance structure

### Board of Directors

(see page 88 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 (161 subsidiaries in 15 jurisdictions as at October 31, 2024)

### Board committees

(see our website for each committee's charter, and pages 34 to 38 of our circular for the 2024 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
- 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 candidates
- Director development, assessment and succession planning
- Director compensation
- Subsidiary oversight
- Coordination of effective committee oversight
- Allocation of sustainability matters amongst the board and its committees

### Human Resources Committee

- Human resources strategies
- Talent development, retention and succession planning
- Employee 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
- Builds links between executive pay, BMO's strategic priorities and priority sustainability issues

### 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 oversees our corporate governance framework, guidelines and practices to 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

## Business conduct

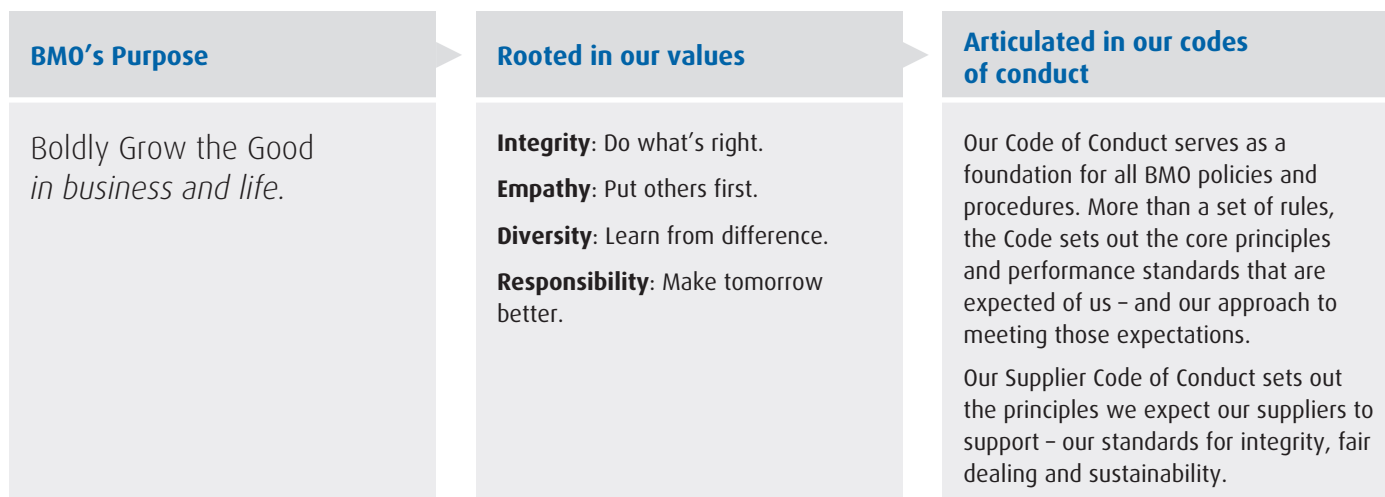
BMO adheres to high ethical standards. Our commitment to ethical business practices is integral to our reputation in the financial sector and the global economy, and helps us cultivate trust and strong relationships with employees, customers and communities.

Responsibility for fostering an ethical culture at the bank is shared by everyone across BMO – directors, officers and employees. BMO’s Chief Ethics Officer works to ensure BMO’s expectations around ethical conduct are clear and well understood by employees globally and oversees BMO’s whistleblower process.

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. His term was extended for two years until his scheduled retirement at the bank’s 2027 annual shareholder meeting. He is an independent director and has served on BMO’s board since 2006.

> BMO was named one of the World’s Most Ethical Companies® by Ethisphere in 2024 for the seventh consecutive year. BMO is one of four banks worldwide to be recognized in 2024. BMO is also the only bank in Canada to be recognized with this award since its inception in 2007.

BMO’s Audit and Conduct Review Committee assists the Board of Directors in fulfilling its oversight responsibilities for compliance with legal and regulatory requirements and standards of business conduct and ethics, and reviews and recommends BMO’s Code of Conduct (Code) to the board for approval.



BMO’s Code of Conduct outlines the commitments and performance standards that are expected of us and describes how we meet those expectations. It guides us to do the right thing while providing exceptional experiences for our customers, employees and communities.

Our commitments to *Make a Positive Impact, Do What’s Right, Protect our Brand, Avoid Conflicts and Speak Up!* are rooted in our values. The Code applies to everyone at BMO – all directors, officers and employees. We do not grant or approve waivers to our Code. All employees participate in annual training 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 [www.bmo.com/CodeofConduct](http://www.bmo.com/CodeofConduct) and [www.bmo.com/SupplierCodeofConduct](http://www.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 a secure, confidential and if desired, anonymous whistleblower reporting service on our website [www.bmo.com/whistleblower](http://www.bmo.com/whistleblower) for anyone inside or outside of BMO to report suspected misconduct about BMO or one of our service providers. All concerns are actioned appropriately and there are consequences for violations of the Code.

We provide training and communications about the importance of speaking up, the multiple ways employees can raise concerns, and how to identify and protect against retaliation.

## 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 so that

## 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, Artificial Intelligence (AI), governance, cyber security, digitech partnerships and sustainability, 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, including climate, cyber and AI-related risks
- the financial and capital impacts of the recommended strategy.

## 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 that drive our approach to risk management across the enterprise:

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

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, assessed, managed, monitored, and reported. The framework is appropriate for the nature, scale, complexity and risk profile of the bank's activities. The board also approves the enterprise risk appetite statement and oversees management's adherence to it.

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

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.

- > 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 (see page 52 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 regularly on the bank's and each operating group's progress in implementing the strategies.

- > The Risk Review Committee oversees the identification and management of risk. See the 2024 committee report on page 38 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 55 of our circular).
- > The Risk Review Committee and the Audit and Conduct Review Committee each oversee and receive regular reporting on cybersecurity and technology risks, including those related to artificial intelligence. See the 2024 Committee Reports on pages 38 and 34 of our circular for their activities this year.

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 2024 Annual Report.

# Subsidiary governance

BMO has 161 subsidiaries in 15 jurisdictions worldwide, as at October 31, 2024. 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:

## A legal entity framework

The framework is a critical tool for risk management. It includes procedures to centralize the oversight of establishing, operating and dissolving legal entities.

The complexity of each subsidiary is assessed based on criteria including asset base, and whether the subsidiary is operating, client-facing and/or regulated.

Each subsidiary is then placed into one of four categories of ascending degrees of governance.

## Governance requirements for each subsidiary

Subsidiary boards have structures that comply with the governing law of the subsidiary.

They are composed of executives as subsidiary directors and may include qualified independent non-executive directors where required by law or regulator guidance. The non-executive directors are nominated based on their independence from the business, using a skills matrix developed by the subsidiary board.

BMO's Legal Entity Manual facilitates consistent governance best practices and proper oversight of each legal entity, promotes thoughtful, effective and efficient governance processes, and clarifies the roles and responsibilities of the directors, officers and corporate units.

The subsidiary's corporate secretary works with the subsidiary board to implement the governance tools that are appropriate for the subsidiary.

## Oversight by the BMO board

The board is responsible for overseeing BMO's subsidiaries.

The Subsidiary Governance Office provides information to the board, including an annual Legal Entities Report for the Governance and Nominating Committee, which includes the structure of subsidiary boards, statistics by operating group and line of business, jurisdiction and assets, the background of non-executive directors and other relevant information.

Board and committee chairs are also in regular communication with the chairs of the U.S. holding company board and its committees.

Specific subsidiary-related information must be escalated to a senior management committee or to the board, under our Board Approval and Oversight Requirements Corporate Policy and related guidelines.

# 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 are designed to provide assurance that 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.



## 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.

An 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
- Annual Report
- Annual Information Form

### 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, 9<sup>th</sup> Floor  
Toronto, Ontario M5X 1A1
3. **Send an email**  
[board.directors@bmo.com](mailto:board.directors@bmo.com)



# Sustainability

Sustainability is embedded in our strategy and to be our clients' lead partner in the transition to a net-zero world is one of our group strategic priorities. We take steps to manage our business in a manner that is consistent with our long-term risk management and financial goals, considering our impact on communities, society and stakeholders.

Responsibility for the oversight of sustainability is included in the mandates of our board of directors and each standing committee has responsibility for the oversight of sustainability, including climate change risks and opportunities, that fall within its purview. The full board meets with BMO's Executive Committee (which includes all of BMO's executive officers) during the annual board strategy session to discuss sustainability and climate strategy. The board also reviews BMO's sustainability and climate-related reporting. Climate-related matters and climate considerations are integrated into quarterly operating group reporting to the board.

Recognizing the business opportunities and risks arising from sustainability practices, BMO's board has adopted a skills matrix for its directors which includes understanding and experience with sustainability. Several board members have demonstrated experience with climate and sustainability issues as detailed in their biographies and they are represented on each committee of the board. Board members are provided with ongoing training including ongoing substantive educational materials on sustainability related matters and updates on climate related topics.

The Governance and Nominating Committee regularly reviews the charters of our board of directors and its committees to assess the coverage and alignment of their responsibilities for overseeing sustainability issues with their respective mandates. The Audit and Conduct Review Committee assesses the effectiveness of BMO's governance of sustainability matters and approves BMO's sustainability and climate reporting.

The Risk Review Committee assists the board of directors in meeting its oversight responsibilities for the identification, assessment and management of our exposure to environmental and social risk, including risks arising from climate change, for the overall adherence to risk management corporate policies, and for complying with risk-related regulatory requirements. The Risk Review Committee approves the Environmental and Social Risk Corporate Policy. The Audit and Conduct Review Committee and Risk Review Committee jointly review financed emissions target setting and BMO's Transition Action Plan. 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 has responsibility for the alignment of executive compensation with performance against our strategic priorities which include sustainability. The Human Resources Committee also has oversight of human resources strategies relating to inclusion and health and well-being.

## Leadership 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, including making sure BMO builds teams that can deliver the bank's business strategy, has an inclusive 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.

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

### Leadership development

BMO provides opportunities to all employees, regardless of gender, race, ethnicity, disability, sexual orientation, gender identity, religion, marital status and/or age. We have established priorities

to enhance inclusive leadership behaviours. BMO identifies top talent, implements development plans for high-potential talent and identifies and removes barriers to provide access to leadership and development opportunities for all employees.

BMO carefully considers a broad range of criteria for senior leadership positions and aims to have at least 40% of its senior leadership roles held by women. As of October 31, 2024, 41.3% of the bank's senior leadership roles including at the executive and managing director levels were held by women. As well, women currently comprise 27.3% (3 out of 11) of BMO's Executive Committee.

In addition, four members of BMO's Executive Committee self-identify as a person of colour. All of our Executive Committee members are fluent in English. One of the Executive Committee members speaks French fluently, one speaks Hindi fluently and one speaks Turkish fluently.

The Human Resources Committee and board monitor Executive Committee composition closely through its oversight of executive appointments and succession planning.

For information on board diversity, please see skills and diversity on page 10.

# 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 relevant skills and qualifications, diverse experience and perspectives, and independence from management. This builds a strong and effective board positioned for better decision-making and more effective oversight to drive 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 10

- The Governance and Nominating Committee identifies and recommends suitable director candidates, with the help of professional search firms as needed.
- The committee recruits directors who will enhance the strength and effectiveness 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 15

- 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 11

- 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 14

- 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) at [www.bmo.com/corporategovernance](http://www.bmo.com/corporategovernance).
- > 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

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.

The board uses Director Independence Standards to determine whether a director is independent (available on our website). The standards take into consideration the *Bank Act* (Canada) definition of affiliated persons, and the Canadian Securities Administrators (CSA) and NYSE definitions of independence.

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.

The threshold for independence is higher for members of our Audit and Conduct Review Committee.

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.

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.

## Independent Chair of the Board

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.

The Chair normally serves for five years with the possibility of renewal for another three years.

The process for the appointment of the Chair of the Board is led by the current Chair unless the current Chair is being considered for reappointment. In that circumstance, the process is led by the Chair of the Governance and Nominating Committee. 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.

## Other independence mechanisms

### Meeting without management

Every board meeting and board committee meeting includes time for independent directors to meet without management present. During those meetings, the Chair will lead discussions on matters that arise during the meeting or other matters, including matters related to succession planning, risk management and strategy.

### Managing conflicts of interest

The Directors' Conflict of Interest Policy is designed to ensure independent decision-making by the board.

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.

### Getting independent advice

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.

### Serving on other boards

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 *board interlock*) 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 currently no board interlocks.

Members of the Audit and Conduct Review Committee cannot serve on more than three public company audit committees without board approval.

## Skills and diversity

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. This builds a strong and effective board which positions the board for better decision-making and more effective oversight to drive BMO's success.

The Governance and Nominating Committee considers only candidates who are highly qualified based on their experience, functional expertise, skills and qualifications. The committee looks at several criteria, including independence, ethics and integrity, range of experience, business judgment, areas of expertise, skills and qualifications, availability and commitment. The Governance and Nominating Committee considers diversity of the board by gender, age, ethnicity and geographic background including the *Bank Act* (Canada)'s residency requirements.

The committee follows the Board Diversity Policy when recruiting new directors which includes, in addition to its own search, engaging qualified independent external advisors to conduct a search for qualified candidates from a variety of backgrounds who meet the

- > The board positions itself to be made up of highly qualified directors with relevant skills and qualifications and diverse experience and perspectives to build a strong and effective board.
- > 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.

Board's skill requirements. The board aspires to have each gender make up at least one-third of the independent directors. Five of this year's nominated directors are women, representing 38.5% of the nominated directors, eight are men, representing 61.5% of the nominated directors, and two identify as persons of colour (Asian and Black), representing 15.4% of the nominated directors.

Our process is to review potential director candidates with relevant skills and qualifications and diverse experience and perspectives at each meeting of the Governance and Nominating Committee.

## Skills matrix

We capture the ideal list of skills for directors and record them in a skills matrix. The items in the list are reviewed every year and updated 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 indicated below. The experience of our directors is described more fully in their respective profiles.

	George A. Cope	Janice M. Babiak	Craig W. Broderick	Hazel Claxton	Diane L. Cooper	Stephen Dent	Martin S. Eichenbaum	David Harquail	Eric R. La Flèche	Brian McManus	Lorraine Mitchelmore	Madhu Ranganathan
<b>Executive leadership</b>	●	●	●	●	●	●	●	●	●	●	●	●
<b>Strategic planning</b>	●	●	●	●	●	●	●	●	●	●	●	●
<b>Risk management</b>	●	●	●	●	●	●	●	●	●	●	●	●
<b>Mergers and acquisitions</b>	●	●	●	●	●	●	●	●	●	●	●	●
<b>Accounting and finance</b>	●	●	●	●	●	●	●	●	●	●	●	●
<b>Human resources</b>	●	●		●	●	●	●	●	●	●	●	●
<b>Public policy</b>	●	●	●		●		●	●			●	
<b>Legal and regulatory</b>	●	●	●		●							
<b>Financial services</b>		●	●		●	●	●	●				
<b>Retail</b>	●	●			●				●			
<b>Technology and information security</b>	●	●	●		●			●	●		●	●
<b>Environmental, social or governance<sup>1</sup></b>	●	●		●	●	●		●	●		●	●
<b>U.S. experience</b>	●	●	●		●		●	●		●	●	●

<sup>1</sup> Includes the constituents involved in sustainable development practices, including those related to climate.

## 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 North America'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.		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 implementing 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 2024 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.

Session/topic	Audience (Board/Committee)
<b>Loyalty and Growth powered by One Client</b>	
One Client Initiatives Update	Board of Directors
Operating Group Strategies, including customer focus, capabilities and experience	Board of Directors
U.S. Prime Finance - Update	Risk Review
Securitized Products Trading and Securitization	Risk Review
Leveraged Finance	Risk Review
North American Personal and Business Banking Lending Update	Risk Review
Commercial Real Estate Interim & Annual Review	Risk Review
<b>Winning culture</b>	
Winning Culture Checkup	Board of Directors, Human Resources Committee
Diversity, Equity and Inclusion Update	Board of Directors, Human Resources
Human Capital Update	Board of Directors, Human Resources
<b>Digital first</b>	
Women Corporate Directors: Governance in an AI/generative AI World: What Should Boards Look For?	Chair, Governance and Nominating
EY Webinar - Understanding the Explosion of Artificial Intelligence: Past, Present, and Future	Chair, Audit and Conduct Review
CPPIB Webinar - A View from the Boardroom: Cyber threat landscape, insights & key mitigating action	Chair, Audit and Conduct Review
AICPA On-Line Training: Strategic Importance of Digital Transformation and the Underpinning Technologies; Data Analytics and Data Visualization; Cybersecurity and Digital Transformation; Sustainability, ESG and Risks	Chair, Audit and Conduct Review
McKinsey & Company: Artificial Intelligence in Financial Services	Board of Directors
Cyber Security Update	Board of Directors
Digital First - TPS Strategy & Customer Journeys	Board of Directors
Artificial Intelligence & Audit Committee Oversight	Chair, Governance and Nominating
Data Analytics and Data Visualization	Chair, Audit and Conduct Review
Fireside Chat with Thomas Kurian, Google Cloud CEO, on latest advancements in AI and implications for companies and their boards	Board Member
Technology, Security and Resilience: The Board's Role in a Quickly Shifting Landscape	Chair, Risk Review
The Board's Role regarding Artificial Intelligence	Board Member
Tech Trends 2024	Board Member
<b>Transition to a net zero world</b>	
BMO Monthly Sustainability Podcasts	Board of Directors
Organizing ESG and Sustainability Oversight at the Board Level	Chair, Governance and Nominating
ESG Regulations and Expectations Across Jurisdictions	Chair, Audit and Conduct Review
Companies, ESG and National Security	Chair, Audit and Conduct Review
Sustainability, ESG and Risks	Chair, Audit and Conduct Review
BMO Quarterly Sustainability Update Newsletter	Board of Directors

Session/topic	Audience (Board/Committee)
<b>Manage risk, capital and funding</b>	
Tapestry Risk Conference	Director
Quarterly Update by Legal & Regulatory Compliance on Regulatory Developments	Audit and Conduct Review
Privacy, ABAC & Competition/Antitrust Programs Update	Audit and Conduct Review
Quarterly Update by Anti-Money Laundering and Anti-Terrorist Financing – Regulatory Landscape	Audit and Conduct Review
Update by Technology and Operations Update – Cyber Security	Audit and Conduct Review
BMO's Monthly AML Newsletter	Audit and Conduct Review
Private Credit	Board of Directors
Open Banking	Board of Directors
American Banker – August 12, 2024: A brain drain at bank boards raises questions about risk management	Audit and Conduct Review
Culture & Behaviour Risk	Risk Review
Concentration Management	Risk Review
The Evolving Fraud Landscape	Risk Review
The Promise & Peril of the AI Revolution: Managing Risk	Risk Review
GHD Event: Current State of Infrastructure	Chair, Audit and Conduct Review
<b>Governance</b>	
Global Risk Oversight: Board Risk and Oversight Program	Director
Institute of Corporate Directors: Board Oversight of Social Issues	Director
Governance Forum: Private Capital and Infrastructure; ESG's Worst Ideas; The Most Powerful Governance Tool: Litigation; The Evolving Landscape of Board Director Demographics; Voting For and Against Directors; Where Do Board Directors Get Information – Where Should They; The Risks and Benefits of Founders; ESG Regulations and Expectations Across Jurisdictions; Companies, ESG and National Security	Chair, Audit and Conduct Review
Canada Spencer Stuart Board Index	Governance and Nominating
Updates on Significant Changes in Governance Rules and Regulations	Governance and Nominating
Rewarding Strategic Leadership – Director Compensation in an Era of Change	Chair, Governance and Nominating
CEO & Board Chair Succession: Planning, Transitioning, Onboarding	Chair, Governance and Nominating
Proxy Season: 2024 Engagement & Early Takeaways	Chair, Governance and Nominating
Boardroom of the Future: Composition, Committees & Culture	Chair, Governance and Nominating
How Directors Can Maximize the Power of Internal Audit for Effective Governance	Chair, Audit and Conduct Review
Differences in How Private Company and Public Company Boards Consider Risk	Chair, Audit and Conduct Review
Board Oversight of Social Issues	Board Member
Corporate Governance DNA	Board Member
<b>The economic environment</b>	
Global Risk Institute: Macroeconomic Policy Series	Board Member
Deloitte Global Boardroom Program: The US Economy in 2024	Board Member
MIT: Policy Analysis and Rates of Convergence in Learning Models	Board Member
Harvard University: Macroeconomics, international trade and public policy	Board Member
Spencer Stuart UK Director Forum: Overview of Global Geopolitical Environment and Impact on Global Business	Chair, Audit and Conduct Review
Economic Update	Board of Directors
Open Banking	Board of Directors
Current State of Infrastructure in the UK and Around the World	Chair, Audit Conduct and Review
Macroeconomic Policy Series 2024 (3 sessions – After Higher for Longer: Outlook for Bank of Canada Rates and Inflation; 2024 Housing Market Outlook: Demand, Supply and Price Variability; and Fiscal Policy in Transition: Budget Challenges, Opportunities and Risks)	Board Member
Macroeconomics, International Trade and Public Policy	Board Member

## 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.

- > 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 support 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. The board's policies require a director seeking to become a member of the board of another public company to notify the Board Chair before accepting the position to consider potential conflicts and time commitments.

## Attendance

The table below shows the attendance of our directors at fiscal 2024 board and committee meetings. The independent directors met without management at every board meeting. The Governance and Nominating Committee monitors director attendance and considers the director attendance record on a semi-annual basis.

The board's Resignation Policy requires directors to 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. The Governance and Nominating Committee recommends to the board whether to accept or reject the director's resignation.

	Board		Audit and Conduct Review Committee (6 meetings)		Governance and Nominating Committee (6 meetings)		Human Resources Committee (7 meetings)		Risk Review Committee (8 meetings)		Total attendance
	Regular (9 meetings)										
Janice M. Babiak <sup>(1)</sup>	9	100%	6	100%	6	100%	-	-	-	-	100%
Sophie Brochu <sup>(2)</sup>	5/5	100%	-	-	3/3	100%	3/3	100%	-	-	100%
Craig W. Broderick	9	100%	6	100%	6	100%	-	-	8	100%	100%
Hazel Claxton <sup>(3)</sup>	9	100%	6	100%	-	-	-	-	-	-	100%
Diane L. Cooper <sup>(4)</sup>	1/1	100%	-	-	-	-	-	-	-	-	100%
George A. Cope <sup>(5)</sup>	9	100%	-	-	6	100%	7	100%	-	-	100%
Stephen Dent <sup>(6)</sup>	9	100%	-	-	-	-	2/3	67%	8	100%	95%
Christine A. Edwards <sup>(7)</sup>	9	100%	-	-	6	100%	7	100%	-	-	100%
Martin S. Eichenbaum	9	100%	6	100%	-	-	-	-	8	100%	100%
David Harquail <sup>(8)</sup>	9	100%	-	-	-	-	7	100%	8	100%	100%
Linda S. Huber <sup>(9)</sup>	6/7	86%	5/5	100%	-	-	-	-	5/5	100%	94%
Eric R. La Flèche	9	100%	-	-	-	-	7	100%	-	-	100%
Brian McManus <sup>(10)</sup>	1/1	100%	-	-	-	-	-	-	1/1	100%	100%
Lorraine Mitchelmore	9	100%	-	-	6	100%	7	100%	8	100%	100%
Madhu Ranganathan	9	100%	6	100%	-	-	-	-	-	-	100%
Darryl White <sup>(11)</sup>	9	100%	-	-	-	-	-	-	-	-	100%
<b>Average</b>		<b>99%</b>		<b>100%</b>		<b>100%</b>		<b>95%</b>		<b>100%</b>	<b>99%</b>

(1) Ms. Babiak attended all Risk Review Committee meetings as a guest.

(2) Ms. Brochu did not stand for re-election at the 2024 annual meeting of shareholders and ceased to be a member of the Board of Directors, the Governance and Nominating Committee, and the Human Resources Committee effective April 16, 2024.

(3) Ms. Claxton attended six Risk Review Committee meetings as a guest.

(4) Ms. Cooper became a member of the board of directors effective October 28, 2024 and became a member of the Audit and Conduct Review Committee and the Risk Review Committee effective December 6, 2024. Ms. Cooper attended one Risk Review Committee meeting as a guest.

(5) Mr. Cope attended all Audit and Conduct Review Committee and all Risk Review Committee meetings as a guest.

(6) Mr. Dent attended one Human Resource Committee as a guest and became a member of the Human Resources Committee effective April 16, 2024.

(7) Ms. Edwards will not stand for re-election at the 2025 annual meeting of shareholders. Ms. Edwards also attended all Audit and Conduct Review Committee meetings and all Risk Review Committee meetings as a guest. To facilitate Governance and Nominating Committee Chair succession, Ms. Edwards's term as Governance and Nominating Committee Chair was extended for one year until her scheduled retirement from the board at the bank's 2025 annual shareholder meeting.

(8) Mr. Harquail attended all Audit and Conduct Review Committee meetings as a guest.

(9) Ms. Huber ceased to be a member of the board of directors, the Audit and Conduct Review Committee and the Risk Review Committee effective August 23, 2024.

(10) Mr. McManus became a member of the board of directors and a member of the Risk Review Committee effective October 28, 2024.

(11) Mr. White attended all committee meetings as a guest.



## Tenure

The board's Director Tenure Policy is designed to support 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 special 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.

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

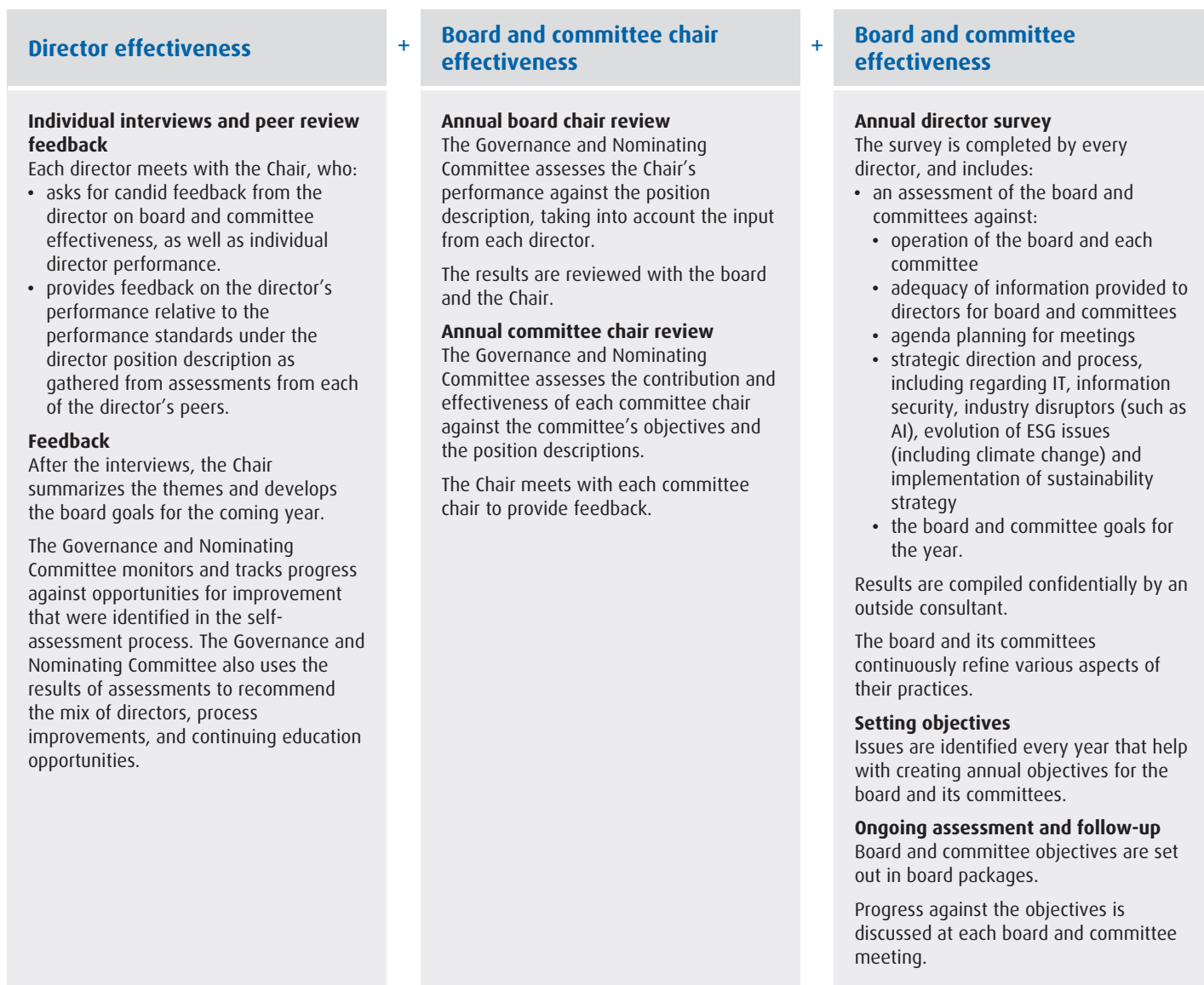
## Assessment

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 10) 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 Compensation

We pay director compensation to our non-employee directors. Darryl White is compensated in his role as BMO's chief executive officer (page 64 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 membership fees, 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.

## 2024 director fee table

Type of fee	Fiscal 2024
<b>Board retainer</b>	
Chair of the Board (includes attendance at meetings of all four committees)	\$485,000 per year: • \$ 210,000 in DSUs • \$ 275,000 in cash
Directors (includes one committee membership)	\$250,000 per year: • \$ 162,500 in DSUs • \$ 87,500 in cash
<b>Committee chair retainers</b>	
Audit and Conduct Review Human Resources Governance and Nominating Risk Review	\$55,000 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, 2024:

- annual director retainer increased by \$15,000 to \$265,000 (\$175,000 paid in DSUs and \$90,000 paid in cash)
- Chair of the Board retainer increased by \$15,000 to \$500,000 (\$250,000 paid in DSUs and \$250,000 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 66 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 until they meet their minimum ownership requirement.

All but one non-employee director (appointed to the board in August 2023) seeking re-election met the minimum share ownership requirements. Mr. White met his executive share ownership requirements (see pages 16 and 66 of our circular).

All non-employee directors in calendar 2024 received all of their Bank of Montreal director compensation in DSUs.

The table below shows the total share ownership of our non-employee directors who are standing for re-election. Value is based on \$142.17, the closing price of BMO shares on the TSX on February 10, 2025.

	Total shares	Total DSUs	Total equity
Number	148,545	289,353	437,898
Value	\$21,118,643	\$41,137,316	\$62,255,959

### 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 57 of our circular).

