

BANK OF MONTREAL
GOVERNANCE AND NOMINATING COMMITTEE CHARTER

PURPOSE

The Committee is responsible for performing the duties set out in this Charter to enable the Board to fulfill its oversight responsibilities in relation to:

- developing governance principles and guidelines for the Bank that are consistent with high standards of corporate governance and reviewing and assessing on an ongoing basis the Bank's system of corporate governance with a view to maintaining high standards of corporate governance;
- identifying and recommending candidates for election or appointment to the Board to be put before the annual shareholders meeting or the Board in the event of a vacancy on the Board; and
- the Bank's process for Director orientation and assessment.

MEMBERS

The Committee shall consist of three or more Directors as determined by the Board. At least a majority of the members of the Committee shall be resident Canadians and not "affiliated" with the Bank for the purposes of the *Bank Act* (Canada). Each member of the Governance and Nominating Committee shall be:

- a Director who is not an officer or employee of the Bank or an affiliate of the Bank; and
- "independent" for the purposes of applicable Canadian and United States securities laws and the New York Stock Exchange Rules.

The Board shall appoint the members of the Committee and the Chair of the Committee annually following the meeting of the shareholders at which Directors are elected each year. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors and increase the number of Committee members as it determines appropriate. If a member of the Committee becomes "affiliated" with the Bank for the purposes of the *Bank Act* (Canada), the member may continue as a member of the Committee with the approval of the Board, in consultation with the Bank's General Counsel. Any member of the Committee may be removed or replaced at any time by the Board.

MEETINGS

The Committee shall meet as frequently as it determines necessary but not less frequently than once each quarter. Meetings may be called by the Chair of the Committee or any two members of the Committee. The Chair of the Committee must call a meeting when requested to do so by any member of the Committee.

Notice of the time and place of each meeting of the Committee, other than an ad hoc meeting, shall be given to each member of the Committee not less than 48 hours before the time when

the meeting is to be held. A quorum of the Committee shall be a majority of its members. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present and at which a majority of the members present are resident Canadians and attending in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each member is entitled to one vote in Committee proceedings.

Notice of the time and place of an ad hoc meeting shall be given to each member not less than two hours before the time when the meeting is to be held.

The Chair shall preside at all meetings of the Committee at which he or she is present and shall develop the agenda for each Committee meeting. The agenda for each meeting of the Committee, other than an ad hoc meeting, shall be delivered to each member of the Committee at least 48 hours prior to any meeting of the Committee, together with such other materials as the Chair determines necessary. The Chair shall designate from time to time a person who may be, but need not be, a member of the Committee, to be Secretary of the Committee. Minutes shall be kept of all meetings of the Committee and shall be maintained by the Secretary of the Committee.

The procedure at meetings is to be determined by the Committee unless otherwise determined by the By-Laws of the Bank, by a resolution of the Board or by this Charter.

The Committee shall meet at least quarterly with only members of the Committee present. The Committee may invite any Director, officer or employee of the Bank or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

REPORTS

The Committee shall report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board at the Board's next meeting. The Committee shall make such recommendations to the Board as it may deem appropriate and shall have such decision-making authority as the Board may determine from time to time. The Committee shall also approve the report of the Committee to be included in the Bank's information circular and such other reports relating to the activities of the Committee as may be required by the Bank or the Board from time to time.

RESPONSIBILITIES AND DUTIES

The Committee shall perform the duties set out in this Charter and shall perform such other duties as may be necessary or appropriate under applicable law or stock exchange rules, or as may be delegated to the Committee by the Board from time to time, including such duties as are specified in the Bank's Board Approval/Oversight Guidelines. The Committee may from time to time appoint a subcommittee of the Board or an individual Committee member to consider any matter which falls within the mandate of the Committee and to make recommendations to the Committee.

System of Corporate Governance

The Committee shall:

- develop and recommend to the Board for approval corporate governance principles and guidelines applicable to the Bank;
- prepare, review and recommend to the Board for approval disclosure relating to the Bank's corporate governance principles and guidelines and the operation thereof, as required by regulatory authorities or stock exchanges;
- review the structures and procedures of the Board and its relationship with management to ensure it can function independently;
- annually review the adequacy of the strategic planning process;
- oversee the process for review and, where necessary, revision of the Bank's Approval/Oversight Guidelines; and
- monitor best practices for governance world-wide and annually review the Bank's governance practices with a view to maintaining high standards of corporate governance.

Functioning of Board and Committees

The Committee shall:

- review the frequency and scheduling of Board meetings and the content and scope of the Board agendas and materials presented to directors;
- assess at least annually the optimum Board size and make recommendations to the Board on any changes to facilitate effective decision making;
- review the composition, mandate and membership of the Board on an annual basis and make recommendations to the Board on any changes;
- review the composition, charter and membership of each Board committee on an annual basis, including to determine the need for cross appointments to promote greater committee effectiveness, and recommend to the Board such changes as are appropriate;
- review and recommend to the Board for approval the Board and committee chair position descriptions and the Director Independence Standards;
- evaluate the independence of Directors according to the Director Independence Standards and make recommendations thereon to the Board;
- consider, as necessary, the removal and resignation of Directors including any resignation offers provided under the Bank's policy on majority voting for the election of Directors and make recommendations thereon to the Board if required;
- recommend for approval by the Board, policies outlining the criteria for tenure of Directors such as, but not limited to, retirement age;
- recommend appointment of committee chairs having regard to the attributes of independence, competence, dedication and leadership skills essential to effective chairmanship; and

- coordinate requests from individual Directors for the engagement of special outside advisers from time to time.

Process for Nominating Directors

With respect to Director nominations, the Committee shall:

- recommend for approval by the Board and implement a selection and screening process to ensure that suitable Director candidates are identified and recommended to the Board in a timely manner, such process to consider:
 - the competencies and skills the Board as a whole should possess;
 - the needs of individual committees, particularly with respect to upcoming retirements of Chairs and committee members;
 - the competencies and skills each existing Director possesses;
 - the independence of Director candidates;
 - Board succession planning, in light of the opportunities and risks facing the Bank;
 - the competencies and skills each candidate will bring to the Board; and
 - whether or not each candidate can devote sufficient time and resources to his or her duties as a Board member.
- recommend for approval by the Board selection criteria for identifying Director candidates to be recommended to the Board taking into account the considerations set forth above;
- identify Director candidates who have the requisite elements of integrity, diversity, knowledge, skill, experience and judgment to meet the selection criteria approved by the Board from time to time; and
- recommend to the Board the candidates to stand for election as Directors at each Annual Meeting or otherwise to be appointed by the Board to fill any vacancy on the Board from time to time.

Board, Committee and Director Assessment

The Committee shall be responsible for assisting the Board in discharging its assessment duties and to this end shall:

- develop and recommend to the Board:
 - a process for assessing the performance and effectiveness of the Board as a whole and committees of the Board which takes into account, the Board Mandate or committee charters as applicable;
 - a process for assessing the contributions of individual Directors which takes into account, among other things, their position descriptions as well as the competencies and skills each individual Director is expected to bring to the Board and provide feedback to individual Directors on their effectiveness; and
 - a process for assessing the performance of the Chairman of the Board in that role;
- on an annual basis, be responsible for overseeing the implementation of the assessment processes approved by the Board;

- monitor the assessment processes and propose any necessary modifications to the functioning and governance of the Board and its committees that may result therefrom;
- review and approve the performance goals of the Chairman of the Board; and
- report annually to the Board with the results of its assessments of Board and committee performance and of the Chairman's performance.

Education and Orientation

The Committee shall:

- ensure that there is a comprehensive orientation program for new Directors with respect to their Board responsibilities, the role of the Board and its committees, as well as the contribution individual Directors are expected to make including, in particular, the commitment of time and resources that the Bank expects from its Directors;
- ensure that appropriate orientation and education programs are in place for new committee members; and
- provide continuing education for all Directors so that individuals may maintain or enhance their skills and abilities as Directors, as well as to ensure their knowledge and understanding of the Bank's business remain current as required.

Director Remuneration

The Committee shall:

- monitor and review at least annually the level and nature of compensation of Directors to ensure that it is both appropriate to the responsibilities and risks assumed and competitive with other comparable organizations; and
- oversee the administration of the Stock Plan for Non-Employee Directors (DSU Plan) and the Non-officer Director Stock Option Plan.

Shareholder Proposals

The Committee shall assess the merits of any shareholder proposals, establish procedures for dealing with such proposals and formulate draft responses on behalf of the Bank for approval by the Board.

ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS

The Committee shall have full, free and unrestricted access to management and employees. The Committee has the authority to engage independent legal counsel, consultants or other advisors, with respect to any issue or to assist it in fulfilling its responsibilities without consulting or obtaining the approval of any officer of the Bank and the Bank shall provide appropriate funding, as determined by the Committee, for any advisors employed by the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. For greater certainty, the Committee shall have sole authority to retain and terminate any search firm used to identify Director candidates that satisfy the selection criteria, including sole authority to approve the search firm's fees and other retention terms.

ANNUAL REVIEW AND ASSESSMENT

The Committee shall conduct an annual review and assessment of its performance, including a review of its compliance with this Charter, in accordance with the process developed by the Committee and approved by the Board. The Committee shall conduct such review and assessment and report the results thereof to the Board by following the process established by it (as referred to above under Board, Committee and Director Assessment).

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship and, if appropriate, shall recommend changes to the Board.

DEFINITIONS

“Bank” means Bank of Montreal.

“Board” means the Board of Directors of Bank of Montreal.

“Committee” means the Governance and Nominating Committee of the Board of Directors of Bank of Montreal.