

BANK OF MONTREAL

HUMAN RESOURCES AND MANAGEMENT COMPENSATION 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 the Bank's:

- recruitment, development and retention of its workforce;
- appointment, performance evaluation and compensation of the Chief Executive Officer and other Senior Executives;
- succession planning relating to Senior Executive and other key Executive positions including appointments, reassignments and terminations;
- compensation structure for Executives including annual, mid-term and long-term incentive plans and incentive plans involving share issuances or share awards;
- benefit plans for Executives and pension plans; and
- share ownership guidelines for Executives.

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

In addition to any orientation provided by the Governance and Nominating Committee, the Chair of the Committee shall provide orientation to new members of the Committee with respect to their duties and responsibilities as members of the Committee. All members of the Committee shall have, or acquire within a reasonable period of time following their appointment, a thorough

understanding of issues related to human resources and compensation with particular emphasis on executive compensation.

MEETINGS

The Committee shall meet as frequently as it determines necessary but not less 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 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 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 ad hoc meetings shall be given to each member thereof not less than two hours before the time when the meeting is to be held. Where a quorum of members of the Committee is not available for such a meeting, the Secretary of the Committee shall call upon such other members of the Board as are required to achieve the Committee's quorum requirements.

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, 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 before and after each meeting with only members of the Committee present. The Committee may invite any Director, officer or employee of the Bank or the Bank's counsel 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 monitor major regulatory developments, significant shareholder initiatives and requirements related to executive compensation, assess the impact of changes in regulatory requirements on disclosure, and review and approve the report of the Committee and all other executive compensation disclosure 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.

Recruitment, Development and Retention of the Workforce

The Committee shall:

- review bi-annually the Bank's Human Resource Corporate Policies;
- consider and as appropriate work to align compensation principles and policies with recruitment and retention strategies.

Appointment, Performance Evaluation and Compensation of the Chief Executive Officer

With respect to the Chief Executive Officer of the Bank, the Committee shall:

- review annually and approve changes, as appropriate, to a position description for the Chief Executive Officer, setting out the Chief Executive Officer's authority and responsibilities;
- review annually and as appropriate approve performance targets and corporate goals and objectives that are relevant to the Chief Executive Officer's compensation;
- conduct an annual assessment of the Chief Executive Officer's performance in meeting his or her performance targets and corporate goals and objectives
- assess annually the "tone at the top" set by the Chief Executive Officer through his or her business ethics, conduct and integrity;
- make recommendations for approval by the independent members of the Board on the Chief Executive Officer's compensation, based on the evaluation referred to above, including any changes to base salary, and any individual award allocations under annual mid-term and long-term incentive plans and under incentive plans involving share issuances or share awards;
- review and as appropriate approve the granting of perquisites to the Chief Executive Officer;
- review share holdings of the Chief Executive Officer relative to the share ownership guidelines established by the Committee, including current holdings of share-equivalent units;

- make recommendations for approval by the independent members of the Board on the appointment of a new Chief Executive Officer or the dismissal of the existing Chief Executive Officer;
- consider and as appropriate approve any agreements, including those addressing retirement, termination of employment or other special circumstances, between the Bank and the Chief Executive Officer, for execution by the Committee's Chair; and
- recommend to the Board remedial action where necessary.

Appointment, Performance Evaluation and Compensation of other Senior Executives

With respect to the Senior Executives of the Bank, other than the Chief Executive Officer, the Committee shall:

- review and approve as appropriate the annual performance assessments submitted by the Chief Executive Officer to the Committee for such Senior Executives;
- review annually and approve as appropriate any changes to the base salaries of the Senior Executives recommended by the Chief Executive Officer, individual award allocations under annual, mid-term and long-term incentive plans and under incentive plans involving share issuances or share awards to such Senior Executives;
- review share holdings of Senior Executives relative to the share ownership guidelines established by the Committee, including current holdings of share-equivalent units;
- make recommendations for approval by the Board on the appointment of new or reassignment of current Senior Executives; and
- consider and as appropriate approve any agreements, including those addressing retirement, termination of employment or other special circumstances, including terms and conditions of appointments, between the Bank and such Senior Executives, for execution by the Chief Executive Officer.

Succession Planning

The Committee shall be responsible for the timely and effective continuity of leadership. The Committee shall review annually the Bank's succession plans and emergency preparedness planning process and make recommendations to the Board regarding any changes to the succession plan for Senior Executive positions. In addition, the Committee shall monitor the progress and development of Executives in accordance with succession plans and review annually the adequacy of the succession pools established to foster timely and effective executive continuity.

Executive Appointments, Reassignments and Terminations

With respect to appointments and reassignments of Executives, the Committee shall:

- review and approve major changes to the overall organization structure of management;
- make recommendations for approval by the Board on the appointment of new Executives at the level of Senior Vice President and above;
- make recommendations for approval by the Board on the reassignment of current Executives at the level of Executive Vice President and above;

- review and approve as appropriate the early retirement or termination of Senior Executives and review the early retirement or termination of other Executives;
- review the reassignment of current Senior Vice Presidents;
- review the appointment of any new or reassigned Vice Presidents; and
- review and, where appropriate, approve the list of responsible persons and the assessment procedures required pursuant to OSFI Guideline E-17.

Compensation Structure

The Committee shall review annually and approve changes, as appropriate, to Executive compensation including compensation principles and objectives for total compensation, desired competitive positioning and comparator groups. The Committee shall also review, where appropriate, the Bank's overall compensation structure.

Annual, Mid-Term and Long-Term Incentive Plans for Executives

With respect to base salary programs and annual, mid-term and long-term incentive plans, other than plans involving share issuances or awards of shares for Executives, the Committee shall:

- review and approve as appropriate any new plans or design changes to existing plans;
- review and approve as appropriate business performance targets for incentive plan funding, monitor interim progress of performance against these targets and, after the end of the applicable performance period, assess performance and resulting incentive plan funding with the objective of aligning business results and incentive plan funding;
- review and approve as appropriate aggregate annual base salary increases and incentive awards to Executives other than Senior Executives under such plans; and
- review and approve as appropriate aggregate annual pools for ad hoc awards for Executives other than Senior Executives under such plans.

Incentive Plans Involving Share Issuances or Awards of Shares

With respect to incentive plans involving share issuances or awards of shares, including stock option grants, the Committee shall:

- review new plans or design changes to existing plans;
- submit such plans to the full Board for its approval;
- review and approve as appropriate aggregate annual awards for Executives other than Senior Executives under such plans; and
- review and approve as appropriate aggregate annual pools for ad hoc awards for Executives other than Senior Executives under such plans.

Benefit Plans for Executives and Pension Plans

The Committee shall:

- review and approve as appropriate any new benefit or perquisite plans or changes to existing plans for Executives;
- review and approve as appropriate the Retirement Compensation Arrangement (i.e., funded supplementary retirement arrangement) and review annually its financial status, governance structure and investment strategy; and
- together with the Pension Fund Society where appropriate, make recommendations for approval by the Board on any new pension plans or changes to existing pension plans.

Share Ownership Guidelines

The Committee shall:

- review and approve as appropriate any changes to share ownership guidelines applicable to Executives; and
- review share holdings of Executives relative to the share ownership guidelines established by the Committee, including current holdings of share-equivalent units.

Delegation of Authority

The Committee may delegate to the Chief Executive Officer the authority to exercise any right, power or responsibility that the Committee may have under any of the plans referred to above, other than in respect of Senior Executives, on such terms and conditions and within such limits as the Committee deems appropriate provided that the Chief Executive Officer subsequently advises the Committee of any right, power or responsibility so exercised by the Chief Executive Officer.

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 the sole authority to retain and terminate any consulting firm used to assist in evaluating the performance and determining the compensation of the Chief Executive Officer or other Executives. The Committee shall review and approve all engagements between the Committee's advisors, legal counsel or consultants and the Bank or its subsidiaries and material entities over which the Bank has significant influence.

ANNUAL REVIEW AND ASSESSMENT

The Committee shall conduct an annual review and assessment of its performance and effectiveness, including a review of its compliance with this Charter, in accordance with the process developed by the Board's Governance and Nominating Committee and approved by the Board. The Committee shall conduct such review and assessment and report the results to the Board's Governance and Nominating Committee.

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's Governance and Nominating Committee.

DEFINITIONS

Capitalized terms used in this Charter have the meanings attributed to them below:

"Bank" means Bank of Montreal;

"Board" means the Board of Directors of Bank of Montreal;

"Committee" means the Human Resources and Management Compensation Committee;

"Senior Executives" means a senior officer who is a head of a principal business group or function of the Bank or who performs a policy making function for the Bank, and who reports to the Chief Executive Officer; and

"Executives" means the Senior Executives and the Vice Presidents, Senior Vice Presidents, Executive Vice Presidents and Senior Executive Vice Presidents of the Bank or those at an equivalent level in a subsidiary or affiliate of the Bank.