

**BANK OF MONTREAL**  
**RISK REVIEW COMMITTEE CHARTER**

---

**PURPOSE**

The Risk Review 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:

- identification and management of risk;
- adherence to Risk Management Corporate Policies; and
- compliance with risk-related regulatory requirements.

**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 Chair of the Board's Audit Committee shall be an ex-officio member of the Committee.

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 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 than six times in each fiscal year. 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 thereof not less than 48 hours before the time when the meeting is to be held. A quorum of the Committee shall be three 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 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 Chair shall meet as required with the Chief Risk Officer in order to consider matters for inclusion in the Committee's agenda and the information to be provided by management to the Committee in connection therewith. 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 after every meeting of the Committee 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 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.

### **Identification and Management of Risk**

The Committee shall:

- consider risk aspects of strategies or exposures to industry segments and countries to ensure they are in keeping with overall Bank risk tolerances;

- when requested by the Board, review and advise the Board on the risk impact of any strategic decision the Board may be contemplating including the consideration of whether such strategic decision is consistent with the level of risk which is appropriate for the Bank;
- approve, review, or oversee (as appropriate) the process, framework, principles, operating procedures and systems (including the Risk Management Corporate Policies) developed by management to identify, evaluate and oversee the appropriate management of principal risks (including risks related to significant new business and material initiatives);
- review other corporate policies not submitted to the Committee for approval;
- review, on an annual basis, the performance of risk rating systems;
- review, at least annually, the risk appetite and risk-based capital requirements and recommend the appropriate capital level for risk to the Board;
- review, on an annual basis, and approve management's evaluation of the effectiveness of the Bank's systems for calculation of the risk-based capital requirements;
- recommend to the Board-the exposure limits and risk-taking authority to be delegated by the Board to the Chief Executive Officer following a review of the Chief Executive Officer's limits by management and the Chair of the Committee; and
- maintain an external orientation, with continuing education as the risk in the market changes and/or standards for measuring risks are enhanced.

### **Adherence to Risk Management Corporate Policies**

The Committee shall:

- approve, ratify or review (as the Committee considers appropriate) any transaction or other proposal that involves management exceeding limits detailed in the Risk Management Corporate Policies including but not limited to the limits delegated to the Chief Executive Officer;
- approve, as necessary, any proposal to proceed with a transaction that involves the delegation of authority to the Chief Executive Officer where the Chief Risk Officer considers the limit excess on such transaction to be material and a management decision is taken to proceed with such transaction, such approval to occur prior to the Bank coming under commitment; and
- monitor material exceptions to Risk Management Corporate Policies.

### **Compliance with Regulatory Requirements**

The Committee shall:

- review the regular attestations and reports of the Chief Risk Officer, concerning positions and trends with respect to key risks identified in the Risk Management Corporate Policies, including the comparison of actual positions to exposure limits and exceptions to Risk Management Corporate policies;
- meet annually with representatives of the Office of the Superintendent of Financial Institutions (“OSFI”), either jointly with the Board or the Board’s Audit Committee, to receive OSFI’s report on the results of its annual examination of the Bank;
- review, at least annually, the Bank’s Annual Report on Outsourcing Arrangements in satisfaction of OSFI Guideline B-10;
- review and approve the Bank’s business continuity management program; and
- consider and review the Bank’s insurance program and recommend for approval by the Board certain limits of insurance established to meet the requirements of the Protection of Assets (Banks) Regulations to the *Bank Act* (Canada).

#### **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. 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.

#### **ANNUAL REVIEW AND ASSESSMENT**

An annual review and assessment of the Committee’s performance and effectiveness, including a review of its compliance with this Charter, shall be conducted in accordance with the process developed by the Board’s Governance and Nominating Committee and approved by the Board. The results thereof shall be reported in accordance with the process established by the Board’s Governance and Nominating Committee and approved by the Board.

The Committee shall 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**

"Bank" means Bank of Montreal.

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

"Committee" means the Risk Review Committee of the Board of Directors of Bank of Montreal.

"Risk Management Corporate Policies" means corporate policies recommended by the Bank's management to address the identification, assessment, quantification, documentation, management and mitigation of risk and return for credit, market, liquidity, operational, business (due to earnings volatility), and reputation risks and their respective sub-components (including responsibilities to clients), and includes (without limitation) such other risk management controls considered by the Committee to be appropriate for prudent business practice, such as exposure limits and all risk-taking authority delegated by the Board to the Chief Executive Officer from time to time.