



BANK OF MONTREAL

GOVERNANCE AND NOMINATING COMMITTEE CHARTER

The Committee is responsible for developing governance principles and guidelines for the Bank, identifying and recommending candidates for election or appointment to the Board and reviewing the Bank's process for orientation and assessment of the Board, its committees and directors. In carrying out these responsibilities, the Committee will, either directly or through one or more sub-committees, perform the duties set out in this Charter and such other duties as may be necessary or appropriate including:

PART I

MANDATE

1.1 System of Corporate Governance

- 1.1.1 developing and recommending for Board approval corporate governance principles and guidelines applicable to the Bank;
- 1.1.2 monitoring the Bank's governance practices against world-wide best practices and reviewing the strategic planning process;
- 1.1.3 preparing, reviewing and recommending for Board approval, disclosure relating to the Bank's corporate governance principles and guidelines as required by regulatory authorities or stock exchanges;
- 1.1.4 overseeing the process for review and, where necessary, revision of the Bank's Approval/Oversight Guidelines; and
- 1.1.5 establishing and reviewing procedures for shareholder proposals and recommending responses to the Board.

1.2 Functioning of Board and Committees

- 1.2.1 monitoring and evaluating the process for assessing the performance and effectiveness of the Board and committees of the Board (including a self assessment of this Committee), which takes into account, the Board Mandate or committee charters as applicable;
- 1.2.2 reviewing at least annually the size, composition and mandate of the Board and each Board committee charter and making recommendations to the Board;
- 1.2.3 reviewing the structures and procedures of the Board and its relationship with management to ensure it can function independently;
- 1.2.4 reviewing the frequency and scheduling of Board meetings and Board agendas and materials presented to directors;
- 1.2.5 reviewing the Director Independence Standards and each chair position description for Board approval;
- 1.2.6 recommending Board committee chairs to the Board;

- 1.2.7 considering and making recommendations, as necessary, on the removal and resignation of directors;
- 1.2.8 recommending policies outlining the criteria for tenure of directors including retirement age for Board approval and the Bank's policy of majority voting of directors to the Board;
- 1.2.9 coordinating any requests from individual directors for engaging special outside advisers; and
- 1.2.10 reporting annually to the Board the results of its assessments of Board and committee function and performance.

1.3 Process for Nominating Directors

- 1.3.1 establishing and executing the selection and screening process for director candidates with a view to:
 - (i) the competencies and skills the Board as a whole should possess;
 - (ii) the needs of individual committees, including upcoming retirements;
 - (iii) the competencies and skills each existing director possesses;
 - (iv) elements of integrity, diversity, knowledge, skill, experience, judgment, eligibility under the *Bank Act* (Canada) and other applicable laws and the competencies and skills each candidate will bring to the Board;
 - (v) the independence of director candidates;
 - (vi) Board succession planning, in light of the opportunities and risks facing the Bank; and
 - (vii) whether or not each candidate can devote sufficient time and resources to his or her duties as a Board member; and
- 1.3.2 recommending to the Board candidates to stand for election as directors at each annual meeting or to fill any vacancy, including appointees to committees of the Board.

1.4 Director Assessment

- 1.4.1 monitoring, evaluating, and recommending to the Board the 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 providing feedback to individual directors on their effectiveness;
- 1.4.2 monitoring the implementation of the assessment processes above and reviewing for changes on at least an annual basis;
- 1.4.3 evaluating the independence of directors according to the Director Independence Standards and applicable laws and making recommendations to the Board;
- 1.4.4 annually monitoring and evaluating the process for assessing the performance of the Chairman of the Board;
- 1.4.5 reviewing and approving the objectives of the Chairman of the Board; and
- 1.4.6 annually reporting the results of its assessments of directors' and chairs' respective performance to the Board.

1.5 Education and Orientation

- 1.5.1 overseeing the orientation program for new directors and committee members 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; and
- 1.5.2 providing continuing education for all directors and committee members.

1.6 Director Remuneration

- 1.6.1 monitoring and reviewing at least annually the compensation of directors to ensure that it is both appropriate to the responsibilities and risks assumed and competitive with other comparable organizations; and
- 1.6.2 overseeing the administration of the Stock Plan for Non-Employee Directors (DSU Plan) and the Non-officer Director Stock Option Plan.

PART II COMPOSITION

2.1 Members

- 2.1.1 The Committee will consist of three or more Directors as determined by the Board. At least a majority of the members of the Committee will be resident Canadians and not "affiliated" with the Bank for the purposes of the *Bank Act* (Canada). Each member of the Committee will be: (i) a director who is not an officer or employee of the Bank or an affiliate of the Bank; and (ii) "independent" for the purposes of applicable Canadian and United States securities laws and the New York Stock Exchange Rules.
- 2.1.2 The Board will 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.

PART III COMMITTEE PROCEDURE

3.1 Meetings

- 3.1.1 The Committee will meet as frequently as it determines necessary but not less frequently than once each quarter. Meetings may be called by the chair of the Board, 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.
- 3.1.2 Notice of the time and place of each meeting of the Committee, other than an *ad hoc* meeting, will 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 will be a majority of its members. The powers of the Committee may be exercised at a meeting at which: (i) 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 (ii) 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.

- 3.1.3 Notice of the time and place of an *ad hoc* meeting will be given to each member not less than two hours before the time when the meeting is to be held.
- 3.1.4 The chair will preside at all meetings of the Committee where he or she is present and will develop the agenda for each Committee meeting. The agenda for each meeting of the Committee, other than an *ad hoc* meeting, will be delivered, together with any other materials determined necessary by the chair, to each member of the Committee at least 48 hours prior to the meeting. The chair will 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 will be kept of all meetings of the Committee and will be maintained by the Secretary of the Committee.
- 3.1.5 The Committee will determine procedure at meetings unless the By-Laws of the Bank, a resolution of the Board or this Charter otherwise determine.
- 3.1.6 The Committee will 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.

3.2 Reports

- 3.2.1 The Committee will 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 will make such recommendations to the Board as it may deem appropriate and will have such decision-making authority as the Board may determine from time to time. The Committee will 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.

3.3 Access to Management and Outside Advisors and Continuing Education

- 3.3.1 The Committee will 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 will 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 will 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.
- 3.3.2 The Committee will have access to continuing education programs to assist the

Committee in fulfilling its responsibilities and the Bank will provide appropriate funding for such programs.

3.4 Annual Review and Assessment

- 3.4.1 The Committee will 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 will conduct such review and assessment and report the results to the Board by following the process established by it (as referred to above under *Functioning of Board and Committees*).
- 3.4.2 The Committee will 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 which the Bank has a reporting relationship and, if appropriate, will recommend changes to the Board.

3.5 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.