

✓ Earning the Trust of Our Stakeholders

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“The role of the Ombudsman is to listen, record and meticulously review the facts of a complaint in an independent, objective and fair manner. Our independence enables us to address customer concerns in an unbiased and impartial manner. As an advocate of fairness, our goal is to do the right thing.”

John Graham
Ombudsman
BMO Financial Group

Priorities

1. **Lead** in corporate governance.
2. **Operate** our business ethically, transparently and according to our *FirstPrinciples*.
3. **Respect** and protect the privacy of our customers and employees.
4. **Encourage** our employees to help realize every day our commitment to corporate responsibility.

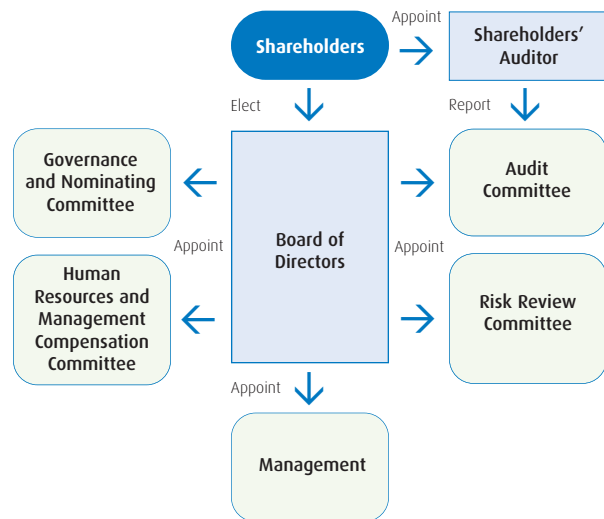
Doing Business Responsibly

Keeping the trust of our many stakeholders, including our shareholders, customers, employees and communities, is fundamental to the ongoing success of our business. We earn trust by practicing sound corporate governance, conducting our business ethically, honestly and transparently, and maintaining a robust system of internal controls that help us fulfill our responsibilities.

Sound Corporate Governance

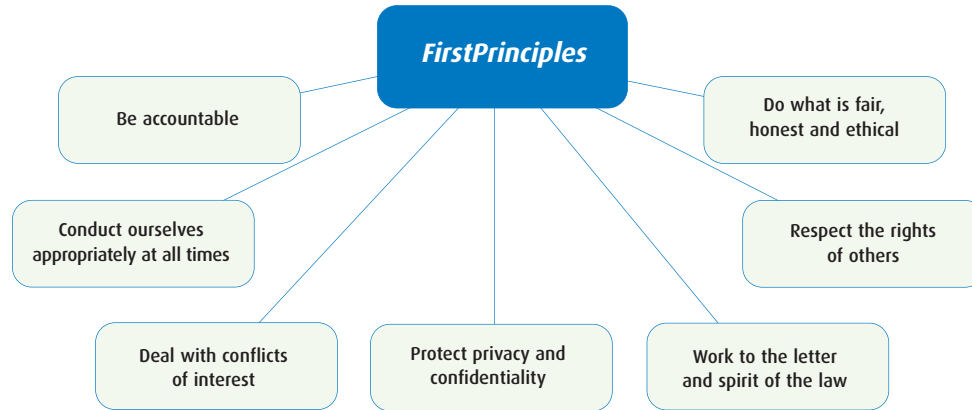
The Board of Directors of Bank of Montreal sets the standard of good governance for the entire enterprise. We have long recognized that the trust placed in the Board of Directors and management by our shareholders must be safeguarded by a strong program of corporate governance.

Here is an overview of Bank of Montreal’s corporate governance structure:



Over the past several years, Bank of Montreal has adopted many leading governance practices. These include:

- > Discontinuing option grants to non-employee directors in 2003.
- > Having independent directors meet regularly without management present.
- > Enhancing Board and director evaluation procedures by including written peer reviews and one-on-one interviews with the Chairman.



> Setting minimum share ownership guidelines for directors at six times their annual retainer to strengthen the alignment of their interests with those of our shareholders.

FirstPrinciples, Our Code of Business Conduct and Ethics

The actions of all BMO directors and employees are governed by *FirstPrinciples: Our Code of Business Conduct and Ethics*, which reflects our commitment to doing what is fair, right and legal. Each year, our Corporate Compliance department conducts a rigorous review of *FirstPrinciples*, benchmarking our code of conduct against best practices within the global financial services industry and regulatory environment, before presenting it to our Board for review and approval. Every year, each BMO employee, officer and director completes a questionnaire that tests their knowledge of *FirstPrinciples*. As well, we make sure that our major suppliers are aware of our code of conduct.

**AT BANK OF MONTREAL,
OUR BOARD OF DIRECTORS
SETS THE STANDARD OF
GOOD GOVERNANCE FOR
THE ENTIRE ENTERPRISE.**

“ *Our FirstPrinciples speak to our commitment to operating with integrity toward all of our stakeholders, including our customers, shareholders and regulators.*”

Michael McGrann
Chief Compliance Officer
BMO Financial Group

Protecting Whistleblowers

We encourage any BMO employee who has concerns relating to a breach or potential breach of either *FirstPrinciples* or any law, regulation or BMO policy to immediately report the concern to one of the appropriate persons and departments listed on our *FirstPrinciples* web site.

In 2007, the Office of the Ombudsman, the Legal department, Corporate Audit and Corporate Compliance worked collaboratively to develop detailed and enhanced procedures for dealing with employee calls to the Ombudsman’s whistleblower line. These enhanced procedures received Board approval in May 2007. As they now stand, the Ombudsman’s accountabilities to employees include:

- > Receiving submissions or concerns from BMO Financial Group employees worldwide regarding accounting, internal control over financial reporting or auditing matters and unresolved concerns, including a breach of *FirstPrinciples*.
- > Dealing with concerns raised by employees through the appropriate channel within the enterprise.
- > Respecting employee confidentiality and anonymity, if requested.
- > Reporting allegations of retaliation against employees who report concerns.

Safeguarding Privacy

Building a foundation of trust with our stakeholders requires that we respect and protect the privacy and confidentiality of the personal information of our customers and employees.

BMO has a Chief Privacy Officer, whose mandate is the safeguarding of personal information and who is accountable for our privacy policy, complaint resolution, education and communication activities. The Chief Privacy Officer also manages the Privacy Office, a team of employees responsible and accountable for our organization's compliance with privacy legislation. This team is also responsible for providing advice, expertise, education, support, and monitoring and reporting to executive management and the Board of Directors.

During 2007, BMO completed several key initiatives related to privacy. The Privacy Office, together with our Information Management and Information Security departments, implemented an enterprise-wide employee learning program to increase awareness of the proper handling of personal and

confidential information. In addition, BMO collaborated with industry groups and the Office of the Privacy Commissioner of Canada to develop breach notification guidelines, and continued to provide input to the review of the *Personal Information Protection and Electronic Documents Act*, designed for the protection of personal information in the private sector.

To help ensure that we respect and protect the personal information of our customers and employees and maintain the trust of all of our stakeholders, we monitor our practices for protecting personal information and make adjustments to existing controls as necessary. This is critical given the ever-changing technological and operational environment. While we strive to maintain effective controls to protect personal information, incidents may still occur. We maintain processes that help us quickly and appropriately respond to any privacy complaints or incidents to minimize the impact of these situations.

Resolving Customer Complaints

Our complaint resolution process is part of our commitment to not only serving our customers responsibly but also acting as our customers' advocate. Managing complaints effectively is essential to retaining our customers.

In 2007, we developed a single reference document for customers who want to resolve a complaint. The new brochure, called *We Can Help – Resolving Customer Complaints*, was designed to help BMO's Canadian customers find the BMO team able to assist when a problem arises. It lists the complaint resolution process for all of BMO's Canadian operating groups and includes contact information for BMO's Ombudsman, the Ombudsman for Banking Services and Investments, regulators and provincial securities commissions. It also lists the financial services industry's Voluntary Commitments and Codes of Conduct that BMO agrees to follow. This brochure has been available in all BMO Bank of Montreal branches and online since May 2007.

If a dispute cannot be resolved satisfactorily either by branch staff or through internal executive levels, a customer may appeal to BMO Financial Group's Office of the Ombudsman. As an advocate for fairness, the Ombudsman does not take sides and addresses problems or concerns in an unbiased and impartial manner. Every member of the

Recognized as One of Canada's Most Trusted Companies

Bank of Montreal ranked 2nd in the 2007 *Canada's Most Trusted Companies for Privacy* study. Sponsored by Carlson Marketing Group of Canada and independently conducted by Ponemon Institute LLC, the study asks consumers to assign a rating to Canadian and global companies according to how much they trust these organizations to protect the privacy of their personal information. This is the second consecutive year that BMO ranked ahead of all other financial institutions named in the study, and in the top five.

Office of the Ombudsman is dedicated solely to resolving customer concerns and is not involved in BMO's day-to-day operations. If a customer is not satisfied with BMO's decision on a complaint, it is his or her right to contact the Ombudsman for Banking Services and Investments for an impartial and informal review. The Ombudsman for Banking Services and Investments is not a regulator, and doesn't advocate for consumers or the industry. Services from the Ombudsman for Banking Services and Investments are free to consumers.

Corporate Responsibility Policies

At BMO, we have well-developed and long-standing corporate policies on social and ethical issues. As part of our framework for ethical decision-making, we insist that all our employees understand and respect these policies.

Guided by our policies, we:

- > Conform to all applicable domestic laws and regulations in each jurisdiction in which we operate.
- > Follow truthful and ethical practices in advertising and adhere to the Canadian Code of Advertising.
- > Adhere to the principles of non-discrimination and equal opportunity.
- > Adhere to the principles of confidentiality and privacy in our interactions with our customers.
- > Consider ethical, political, social and economic factors in addition to normal lending considerations in the development of foreign business.
- > Prohibit lending to foreign customers to finance military equipment purchases that are inconsistent with Canada's national defence policy or international treaty obligations.
- > Maintain strict conflict of interest rules for employees, officers and directors.
- > Take reasonable precautions to ensure that we provide credit only to environmentally responsible borrowers.
- > Measure success in all we do by applying the principles of excellence, accountability, transparency and integrity.

Preventing Money Laundering

To combat money laundering and terrorist financing, BMO has implemented programs and policies. Guided by these policies, BMO will not knowingly provide financial or other related services to anyone attempting to turn dirty money into clean money. BMO will not knowingly transact any type of business relating to property owned or controlled by or on behalf of a terrorist group.

Recognized for Corporate Governance

The Globe and Mail's Report on Business 2007 annual review of corporate governance practices ranked BMO fifth overall among 270 Canadian reporting issuers.



Corporate Responsibility Leadership

BMO continues to be recognized for its leadership in corporate responsibility. We ranked eighth in the Corporate Knights Best 50 Corporate Citizens Ranking 2007. For the fifth consecutive year, BMO Financial Group has been ranked among the top 10 companies in Canada – the only financial institution to be ranked in the top ten Best Corporate Citizens in each of the last five years.

“ I'm very proud of BMO's reputation as a highly trusted organization. A key part of maintaining that trust is our proven commitment to safeguarding the privacy of our customers and employees.”

Johnna Koso
Chief Privacy Officer
BMO Financial Group



For more information:
www.bmo.com/corporateresponsibility