

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

In a year marred by unprecedented corporate scandal and malfeasance, corporate governance has become an area of heightened concern for investors. BMO Financial Group has always taken the lead in corporate governance and continues to do so.

Providing high-quality financial disclosure is not a new practice for our organization. Indeed, BMO Financial Group possesses a strong and well-established reputation for consistent leadership in disclosure practices – and in corporate governance generally. Our achievements were recognized again this year when *The Globe and Mail*'s survey of corporate governance practices ranked BMO Financial Group first among the country's banks.

We became one of the first companies on the continent to announce our intention to expense stock options. As well, Chairman and CEO Tony Comper and Chief Financial Officer Karen Maidment signed a statement as part of BMO's third-quarter results affirming their accountability for BMO's financial information. In addition, Tony Comper and Karen Maidment signed a certification of BMO Financial Group's annual results under the new United States Sarbanes-Oxley Act.

Our Board of Directors bears the main responsibility for maintaining our continued high standards and encouraging the evolution of our corporate governance program. In practice, this means that the Board must operate in an effective and independent manner and ensure that BMO is accountable to all the stakeholders of the company.

The Board of Directors is also responsible for continuously reviewing trends and evolving best practices, as well as pending legislative or regulatory changes such as

Sarbanes-Oxley, and for adjusting our governance practices to ensure they remain at the forefront. BMO's standards of corporate governance are consistent with the objectives of the governance guidelines of the Toronto Stock Exchange and the proposed amendments published in April 2002. In certain instances, such as in the recommended number of "unrelated" directors on the Board and "financial experts" on the Audit Committee, our standards exceed these guidelines.

Equally important, the Board of Directors serves as an example to our entire organization. By establishing the tone – affirming that corporate governance means not just abiding by the rules but also embracing the spirit of those rules – the Board helps to make the tenets of sound corporate governance, transparency, disclosure and honesty, a reality throughout our organization.

Charter of Expectations for Directors

The *Charter of Expectations for Directors*, along with the *Approval/Oversight Guidelines*, represents the backbone of our governance program. These provide both directors and management with a clear road map of each other's expectations and commitments to good governance.

As well as stipulating the roles of individual directors, the *Charter of Expectations for Directors* sets out the responsibilities to be discharged by BMO's governing members. These responsibilities include:

BOARD OF DIRECTORS



STEPHEN E. BACHAND

Ponte Vedra Beach, Florida
Corporate Director and former
President and Chief Executive Officer
Canadian Tire Corporation, Limited



DAVID R. BEATTY, O.B.E.

Toronto, Ontario
Chairman and Chief Executive Officer
Beatinvest Limited



ROBERT CHEVRIER, F.C.A.

Montreal, Quebec
President, Roche Management Co. Inc.



F. ANTHONY COMPER

Toronto, Ontario
Chairman and Chief Executive Officer
BMO Financial Group



DAVID A. GALLOWAY

Toronto, Ontario
Corporate Director and former
President and Chief Executive Officer
Torstar Corporation