# LGM INVESTMENTS LIMITED
# ANNUAL REPORT

## For the year ended 31st October 2021

**Registered Number 3029249**

# Annual Report

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## LGM INVESTMENTS LIMITED STRATEGIC REPORT

The directors of the company ("Directors") present their Strategic Report for LGM Investments Limited's (the "Company" or "LGMI") for the year ended 31st October 2021. Until 8th November 2021 the immediate and ultimate parent company of LGMI was the Bank of Montreal ("BMO", "the Bank"), a public company incorporated in Canada.

### Business review and principal activities

LGMI's principal activity is that of professional investment management. LGMI provides specialist investment management and advice with a primary focus on Global Emerging Market ("GEM") equity mandates for institutional clients. The Company's overriding objective is to deliver exceptional investment management expertise to our global clients.

### Review of business and future developments

During the year BMO took the strategic decision to exit the asset management business in the EMEA region. This resulted in the agreement to sell LGMI (along with BMO's other EMEA asset management businesses) to Ameriprise Financial, Inc ("Ameriprise"). This transaction was completed on 8th November 2021. Despite some shorter term minor disruptions, this change of ownership provides an exciting future for LGMI to develop its business further within a much larger globally recognised asset management group. LGMI established a branch in Australia, LGM Investments Australia Limited, which took over the activities of an affiliate branch in Australia. The new branch has 3 employees who engage in marketing and client support activities for LGMI and its affiliates. The branch earns no revenue from fund management activities and does not hold any client agreements.

LGMI ended the year with Assets Under Management ("AUM") of £3.4 billion versus £3.2 billion at the beginning of the year including AUM managed in conjunction with BMO Global Asset Management (EMEA) Group ("BMO GAM EMEA"). However, revenue from net fees dropped by 5%. This was driven by the final closure of the higher margin Frontier strategy funds which were more than replaced by growth in the main GEM and Responsible GEM strategies which provide a lower fee to LGMI after share of revenues with affiliates. The performance of most funds was stronger in 2021 compared to 2020 with most strategies exceeding their respective benchmarks. As always, the Company is grateful for the resilience of our clients, with the vast majority of clients remaining despite the changes. We are excited about the growth of our Responsible strategies, as our hallmark Responsible Emerging Market strategy celebrated a 10-year track record and exceeded USD 1billion in assets under management. The expenses of the Company grew by £2.2million. Of this increase over £2million was as a direct result of the change in value of cash settled share based awards and the related taxes. Core expenses excluding variable employee awards were flat year on year.

The Company continues to enhance its statement of purpose to provide strategic direction both from a business and employee standpoint. This purpose statement has remained aligned with the broader BMO purpose statement. By working together and striving for investment excellence, the Company aspires to improve lives of individual investors, people in the markets where the Company operates, and for employees. This purpose also aligns well with the new Ameriprise ownership.

During 2021 the world remained gripped by the Covid-19 pandemic which necessitated a remote working environment for the majority of the year. LGMI continued to function very well in this environment largely due to the high quality of investment management and operational systems on which the firm relies and the commitment and professionalism of the Company's employees. This ensured that our clients continued to receive the highest level of service without interruption. The development of employee strengths continues to be a major theme in the Company's development program, which benefits both our employees and our customers. The Company will be better placed to deliver investment excellence by leveraging strengths across the team.

The table below sets out the key results and performance indicators for the year. Figures are in GBP thousands unless otherwise indicated.

| | 2021 | 2020 |
|---|---|---|
| AUM at 31st October £billion | **3.4** | 3.2 |
| Net fee revenue | **10,305** | 10,832 |
| Profits before tax | **480** | 2,978 |
| Pre-tax return on capital employed % | **2%** | 14% |

The return on capital employed is calculated by dividing profit before tax by total shareholders' funds.

The directors of BMO manage the Company's operations on a line of business basis. For this reason, the Company's Directors believe that further analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance and position of the business of the Company. The development, performance and position of the business of BMO, which includes the Company, is discussed in BMO's annual report, which does not form part of this report.

**Employees**

The average number of people employed by the Company during the year was 16 (2020:14) and at the end of year was 17 (2020:15). The numbers include the addition of 3 staff in the LGM Investments Australia branch.

## Principal risks and uncertainties

In addition to the financial risks facing the Company relating to credit, market, liquidity, interest rate and foreign currency risk as outlined in note 4, Company's board of Directors (the "Board") has identified the following as the principal risks and uncertainties facing the business.

## COVID 19

The COVID 19 pandemic has continued throughout the year with outbreaks across many continents, with many countries, including the United Kingdom ("UK"), suspending some business operations and imposing travel restrictions and quarantine measures at different times. These measures and policies have significantly disrupted, and are expected to continue to disrupt, the activities of many entities and the wider global economy. As the pandemic continues, it is challenging at this juncture to predict the full extent and duration of its business and economic impact.

This has been a rapidly changing scenario, but the Company, as part of the broader BMO Financial Group, is taking every precaution it can to safeguard employees, continue serving customers and keep operations running effectively. Key actions taken so far include:

- As part of business continuity plans for the BMO Financial Group, a COVID 19 Steering Committee is in place and running the recovery strategy for BMO from Canada;
- The BMO Financial Group have implemented Group-wide working from home options for all roles that can be performed remotely;
- The BMO Financial Group has engaged with its key third-party outsource service providers, seeking to ensure maintenance of normal operations and service levels; and
- The BMO Financial Group are issuing regular communications to staff.

The Company's management has been actively involved with the BMO Financial Group in agreeing the actions above to ensure that they are effective and appropriate for the Company's employees and have issued regular locally targeted communications to all employees.

Management has considered the consequences of COVID 19, and it has determined that it does not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. Similarly, COVID 19 has not altered the Company's strategic objectives.

Although it is difficult to estimate the overall future financial impact of COVID 19 on the Company given the unpredictable nature of the outbreak and the inherent uncertainties, the Company's performance in what has been a volatile environment is testament to its resilience and its ability to continue as a going concern.

## Uncertain economic outlook

The UK and global macroeconomic outlook remains uncertain, particularly recognising the current COVID 19 pandemic impacts referred to above. Client investment preferences, and the Company's AUM and revenue, may be impacted by underlying economic and market conditions. In addition, a substantial proportion of the Company's revenues are denominated in currencies other than GBP. Adverse market conditions in one or more asset classes or changes in economic factors may lead to a reduction in AUM and/or revenue. In addition, actual or perceived changes in market or economic outlook may lead clients to alter their allocations to particular products or asset classes.

## Integration risk

The Company was acquired by Ameriprise on 8th November 2021 and now forms parts of the broader Columbia Threadneedle Investments ("CTI") asset management business within Ameriprise. Whilst detailed plans and timelines are still evolving, there is a clear objective to integrate the Company into the broader CTI operating model, where appropriate. By its very nature, integration activity can increase the inherent risks in a number of areas of the business, including increased operational risk where changes to people, process or systems are initiated; the risk that consultant ratings of products move to 'hold' while integration activity is executed, potentially impacting the new business generation; and strain being placed on employees of the Company, recognising they are key to the successful integration of the business. Failure to adequately plan and control the activities required to meet the integration objective in a timely basis may result in excessive project cost, a weakened control environment or the loss of clients or key employees. In addition, these activities must be completed in a manner which is cognisant of prescribed regulatory requirements in the UK and other jurisdictions.

In mitigation Ameriprise established a Transition Management Office (TMO) several months prior to legal completion of the transaction to manage the overall planning and execution of the integration process, with activities split between those required to be completed prior to Completion; actions to be implemented with effect from Completion; and the prioritisation and planning of subsequent integrations activities. Workstream leaders from both BMO and Ameriprise have collaborated to establish the integration plans for each area of the business. The TMO are actively involved with the workstream leaders, to facilitate the formal governance reporting to senior management on, among other things, integration progress, risks, approval of resourcing requirements and ensuring continued compliance with all regulatory requirements.

## Statement by the Directors in performance of their statutory duties in accordance with s172 (1) of the Companies Act 2006.

### STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) OF THE COMPANIES ACT 2006.

Directors of the Company are required to act in way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. This requires the Directors to have regard to the:

- likely consequences of any decision in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers, and others;
- impact of the Company's operations on the community and the environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

The Directors also consider the views and interests of a wider set of stakeholders including its shareholder, regulators, and counterparties.

> **LGM Purpose**
>
> **"Improving Lives, Together"**
>
> We have a deep sense of responsibility to our clients, the people in our markets where we invest and our team. Together we can improve lives by delivering investment excellence while leaving a positive footprint.

When taking key decisions, the Directors receive information from across the Company and the wider BMO Financial Group ("BMO"). Information is informed by stakeholder engagement at an operational level and helps the Directors gain a better understanding of the impact of their decisions on relevant stakeholder interests.

Directors were also encouraged to consider BMO's purpose and LGM's purpose (opposite) when taking key decisions.

This year, to assist the Directors in discharging their s.172 responsibilities, the Subsidiary Governance team sought to further embed the changes made to the Board reporting templates to ensure that stakeholder interests were clearly articulated. This was reinforced with additional guidance for presenters and report writers.

Whilst considering a broad range of interests is an important part of their decision making, the Directors acknowledge that decisions may not result in a positive outcome for all stakeholders.

Examples of how stakeholder interests were considered this year and, in the period prior to approval of the financial statements, are listed below:

**Customers** – The Directors received regular updates from each business area as part of their Board materials. These updates highlighted issues impacting our clients as well as opportunities to enhance client experience. An example was the engagement with clients and consultants regarding the sale of the Company, to Ameriprise, which completed on 8th November 2021. Various teams were engaged in discussions with clients and consultants prior to this transaction completing to ensure they were kept abreast of developments. The Board also maintained a close focus on investment performance, liquidity risk and key client services.

**Employees** – The Board is committed to maintaining a strong culture aligned with BMO's values. This year, amid the continuing global pandemic, the Directors placed increased focus on employee safety, health, and wellbeing. This was reflected by a decision to introduce a soft opening of the office from August 2021 on a voluntary basis; staff continued to work effectively in both home and office working environments throughout the year. The Directors remained committed to ensuring a high standard of workplace safety whilst prioritising employees' physical and mental health needs, whilst also being adaptable to a hybrid working model.

As part of the wider BMO Enterprise, the Directors also continued to champion diversity and inclusion initiatives. Following the Black Lives Matter movement, increased focus was given to racial equity initiatives both within the Company and wider BMO Financial Group. This included strengthening our awareness through employee education as well as initiatives to improve BAME representation through a culture of sponsorship and providing equitable opportunities in the talent pipeline. For example, during the year, employees were invited to participate in an Indigenous Communities Education Programme and a National Indigenous History Month.

**Suppliers** – Throughout the year the Directors received regular updates on key third party vendors. This included reports on the risks associated with key supplier relationships and how those risks were managed, with a particular focus on errors and breach reporting by one supplier and the remedial action being taken.

**Community and Environment** – The Company is committed to giving back to the communities in which it operates. Many of the Directors and employees are actively involved in fundraising and volunteering activities.

This year, BMO GAM, including LGMI, supported Farms for City Children. Employees, including from LGMI, and contractors participated in a major fundraising initiative which involved sponsored walks, runs and cycle rides. The Corporate Social Responsibility Committee agreed to make a significant donation to this initiative.

The Company, as part of the wider Group is becoming even more focused on Environmental, Social and Governance ("**ESG**") factors. An example of this was the adoption of a sustainability risk policy, principal adverse impacts statement and changes to the Remuneration Policy at an Enterprise level, influenced by ESG factors and the Sustainable Financial Disclosure Regulations ("SFDR").

**Regulators** – During the year, the Board received regular updates on areas of regulatory interest. This included updates on the CASS requirements and associated audit, Transaction Reporting, Operational Resilience, Brexit, and COVID-19. The Board also received updates on regulatory engagement, including the regulatory feedback requested in response to the ongoing COVID-19 pandemic.

The Board also considered, to the extent possible, the impact of the transfer of the Company from BMO to Ameriprise. The Board sought to assess the likely effects of Transaction-related matters on the interests all stakeholders. The Board also considered the business and operational benefits that would be achieved as well as the integration and other challenges that may arise from the change in ownership to Ameriprise.

By order of the Board,

Michelle Nurse, Company Secretary
21st February 2022

## LGM INVESTMENTS LIMITED DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31st October 2021.

### Results and dividends

The profit for the year after taxation amounted to £458,710 (2020: £2,434,101). The Directors do not recommend the payment of a dividend (2020: £nil).

### Directors

The Directors of the Company who held office during the year and subsequent to the year ended 31st October 2021 were as follows:

Gilles Ouellette (Chair) – resigned 8th November 2021
Thomas Vester
David Logan
Kristi Mitchem – resigned 8th November 2021
Rishikesh Patel
Fredrik Axsater – appointed 10th November 2020

### Liability Insurance

During the year ended 31st October 2021, BMO maintained liability insurance for the Directors and officers of the Company. This insurance has been maintained by Ameriprise from the 8th November 2021 on similar terms.

### Political and charitable contributions

The Company made no political contributions or charitable donations during the year (2020: £nil).

### Location of Pillar 3 disclosures

Pillar 3 disclosures for the Company required by the Capital Requirements Directive are available from Companies House as an attachment to the Annual Report.

### Disclosure of Information to Auditor

Each of the Directors at the date of approval of this report reconfirms that:

1. There is no relevant audit information of which the Company's auditor is unaware; and
2. Each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

KPMG LLP are not seeking re-appointment as auditor of the Company. It is expected that a resolution proposing the appointment of PricewaterhouseCoopers LLP ("PwC") as auditor of the Company will be submitted to the Board of Directors for their approval, recognising that PwC is the current auditor of Ameriprise.

## Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board,

| | |
|---|---|
| Director | Director |
| Fredrik Axsater | David Logan |

95 Wigmore Street
London W1U 1FD
21st February 2022

Registered Company Number: 3029249

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGM INVESTMENTS LIMITED

### Opinion

We have audited the financial statements of LGM Investments Limited for the year ended 31st October 2021 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st October 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Board minutes to assess for any discussion of fraud; and
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. We also performed procedures including identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation. These included all material post year end closing journals.

On this audit we have rebutted the fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements, how they analyse identified breaches and assessing whether or not there were any implications of identified breaches on our audit.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: key areas of financial services regulations, market abuse regulations and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Philip Merchant (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

21st February 2022

## LGM INVESTMENTS LIMITED

Statement of Comprehensive Income

Expressed in GBP

For the Years ended 31st October

| | Note | 2021 | 2020 |
|---|---|---|---|
| Interest income | 5 | **271** | 67,467 |
| **Net interest income** | | **271** | 67,467 |
| Fees and commission income | 6 | **11,112,873** | 11,595,374 |
| Fees and commission expense | 6 | **(807,593)** | (763,395) |
| **Net Fee and commission income** | | **10,305,280** | 10,831,979 |
| **Net trading income / (loss)** | 7 | **261,385** | (1,374) |
| **Total income** | | **10,566,936** | 10,898,072 |
| Employee compensation and benefits | 8 | **(6,653,567)** | (4,435,211) |
| Other operating expenses | 10 | **(3,433,183)** | (3,485,007) |
| **Total operating expenses** | | **(10,086,750)** | (7,920,218) |
| **Profit before tax** | | **480,186** | 2,977,854 |
| **Income tax expense** | 11 | **(21,476)** | (543,753) |
| **Profit after tax** | | **458,710** | 2,434,101 |

The profit on ordinary activities before tax is derived from continuing activities.

There was no other comprehensive income or loss recognised during the year.

The notes on pages 17 to 34 form an integral part of these financial statements.

# LGM INVESTMENTS LIMITED

Statement of Financial Position

Expressed in GBP

As at 31st October

| | | 2021 | 2020 |
|---|---|---|---|
| **Assets** | Note | | |
| Cash and cash equivalents | | 7,904,928 | 7,644,060 |
| Securities | 12 | 1,822,114 | 2,562,967 |
| Total Cash and cash equivalents | | 9,727,042 | 10,207,027 |
| Due from banks and similar financial institutions | 13 | 15,005,814 | 15,055,407 |
| Other assets | 16 | 3,152,204 | 2,781,123 |
| Deferred tax assets | 14 | 493,338 | 386,698 |
| Premises and equipment | 15 | 56,034 | 69,429 |
| **Total Assets** | | 28,434,432 | 28,499,684 |
| **Liabilities and Shareholder's Equity** | | | |
| **Liabilities** | | | |
| Other liabilities | 17 | 6,249,737 | 6,773,699 |
| Total Liabilities | | 6,249,737 | 6,773,699 |
| **Shareholder's Equity** | | | |
| Share capital | 18 | 17,500,000 | 17,500,000 |
| Retained earnings | | 4,684,695 | 4,225,985 |
| Total Shareholder's equity | | 22,184,695 | 21,725,985 |
| **Total Liabilities and Shareholder's Equity** | | 28,434,432 | 28,499,684 |

The financial statements were approved by the Board of Directors on 21st February 2022 and signed on its behalf by

Director
F Axsater

Director
D Logan

Registered Company Number: 3029249

The notes on pages 17 to 34 form an integral part of these financial statements.

# LGM INVESTMENTS LIMITED

Statement of Changes in Equity

Expressed in GBP

| | Share capital | Retained earnings / (deficit) | Total equity |
|---|---|---|---|
| Balance at 31st October 2019 | 17,500,000 | 1,791,884 | 19,291,884 |
| Net profit attributable to the owners of the parent company | - | 2,434,101 | 2,434,101 |
| Balance at 31st October 2020 | 17,500,000 | 4,225,985 | 21,725,985 |
| Net profit attributable to the owners of the parent company | - | 458,710 | 458,710 |
| **Balance at 31st October 2021** | **17,500,000** | **4,684,695** | **22,184,695** |

The notes on pages 17 to 34 form an integral part of these financial statements.

## LGM INVESTMENTS LIMITED

Statement of Cash Flow

Expressed in GBP

For the Years ended 31st October

| | 2021 | 2020 |
|---|---|---|
| **Net profit after tax for the period** | **458,710** | 2,434,101 |
| **Adjustments for:** | | |
| Depreciation | **43,439** | 23,158 |
| (Increase) / decrease in deferred tax | **(106,640)** | 91,230 |
| Unrealised gain in securities | **(114,563)** | (15,086) |
| (Increase) / decrease in other assets | **(371,081)** | 723,609 |
| New lease for Australia branch | **(25,915)** | - |
| Decrease in other liabilities | **(503,353)** | (1,670,437) |
| Net cash provided by operating activities | **(619,403)** | 1,586,575 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of securities | **855,416** | - |
| Acquisition of tangible fixed assets | **(4,129)** | (51,742) |
| Net cash used in investing activities | **851,287** | (51,742) |
| **Cash flows from financing activities** | | |
| Repayment of lease liabilities | **(20,609)** | - |
| Net cash flows used in financing activities | **(20,609)** | - |
| Net increase in cash, cash equivalents and due from banks | **211,275** | 1,534,833 |
| Cash, cash equivalents and due from banks 1st November | **22,699,467** | 21,164,634 |
| **Cash, cash equivalents and due from banks 31st October** | **22,910,742** | 22,699,467 |

The notes on pages 17 to 34 form an integral part of these financial statements.

## 1) Entity Information

LGM Investments Limited is a private company limited by share capital, incorporated and domiciled in England and its principal activity is that of professional investment management. LGMI is authorised by the Financial Conduct Authority ("FCA") to conduct Investment Advisory services. . Until 8th November 2021, the immediate and ultimate parent company of LGMI was the Bank of Montreal, a public company incorporated in Canada. LGMI's registered office and its principal place of business is 95 Wigmore Street, London, W1U 1FD.

## 2) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In accordance with the criteria set out in paragraph 4(a) of IFRS 10, Consolidated Financial Statements, the Company is exempt from the preparation of consolidated financial statements as BMO, the ultimate holding company, produces consolidated financial statements in accordance with IFRS which are available for public use. BMO is incorporated in Canada, having its registered office in Montreal, Canada and its consolidated financial statements are available at Bank of Montreal, 100 King Street West, 1 First Canadian Place, Toronto, Ontario M5X 1A1. Consequently, the financial statements do not give all the information about the economic activities of the group of which the Company is the parent which would have been disclosed had the Company prepared consolidated financial statements.

The Company's financial statements have been prepared on the historical cost basis except for securities which are measured at fair value in the statement of financial position.

These financial statements are presented in Sterling, the Company's functional currency, and all values are rounded to the nearest pound except where otherwise indicated.

In preparing the Company's financial statements, management must make estimates and assumptions that affect the carrying amounts of certain assets and liabilities, certain amounts reported in net income and other related disclosures. The most significant assets and liabilities, for which estimates and judgements must be made, include financial instruments measured at fair value, employee future benefits, provisions and the recognition of deferred income tax. If actual results were to differ from the estimates, the impact would be recorded in future years.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months.

The full extent of the impact that COVID-19, including government and regulatory responses to the outbreak, will have on the European and Global economies and the Company's business remains uncertain and difficult to predict at this time. By their very nature, the judgments and estimates the Company makes for the purposes of preparing the financial statements relate to matters that are inherently uncertain. As part of the Directors' assessment of going concern they have considered the potential impacts of COVID-19 on the Company. While there can be no absolute certainty, having considered the current results of the Company, the potential impact of plausible downside scenarios as a result of COVID-19 on the Company's results and operations and the current liquidity and net assets of the Company, the Directors are satisfied that it remains a reasonable assumption that the Company has sufficient resources to meet both its working capital and regulatory capital requirements for at least 12 months from the date of approval of the Financial Statements.

Accordingly, the Financial Statements as at 31st October 2021 have been prepared on a going concern basis.

***a) Foreign Currency***

The Company conducts business in a variety of foreign currencies and reports financial statements in Sterling, which is the functional currency. Monetary assets and liabilities as well as non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into Sterling at the exchange rate in effect at the statement of financial position date. Non-monetary assets and liabilities carried at amortised cost are translated into sterling at historical rates. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

***b) Interest***

Interest income is recorded using the effective interest method. The effective interest method allocates interest income over the expected term by applying the effective interest rate to the carrying amount of the financial asset or liability. The effective interest rate is defined as the rate that exactly discounts estimated future cash receipts through the expected term of the financial asset or liability to the net carrying amount of the financial asset or liability.

***c) Net trading income (loss)***

Net trading income (loss) comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised changes in fair value, interest, dividends and foreign exchange differences.

***d) Dividends***

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

***e) Tax***

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss in the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from declaration of dividends.

**(ii) Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences or unused tax losses and tax credits can be utilised can be utilised.

***f) Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i. Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debtors, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. As permitted by IFRS 9, the Company has applied the presumption that a trade debtor does not have a significant financing component if the expected term is less than one year.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amounts outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting cash flows, selling the financial assets or both.

*Subsequent measurement*

Financial assets are classified into the categories described below:

- Financial assets at amortised cost

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest rate method. Gains and losses are recognised in the Income Statement when an asset is derecognised or impaired. The Company's financial assets at amortised cost includes amounts owed by BMO Group entities, cash and cash equivalents, contract assets, trade debtors and other receivables.

- Financial instruments at fair value through profit or loss

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value and movements in fair value are taken to the Income Statement in the period in which they arise. The Company may hold securities in open ended funds as seed capital.

*Derecognition of financial assets*

A financial asset or, where applicable, part of a financial asset, is derecognised when the rights to receive cash flows from the asset have expired.

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade debtors and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the receivable and the economic environment.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**ii. Financial liabilities**

Financial liabilities are classified, at initial recognition, as loans and borrowings or trade and other payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include amounts owed to BMO group entities, trade and other payables.

*Subsequent measurement*

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires

**Securities**

The Company holds one type of security designated as Fair Value Through Profit and Loss ("FVTPL"). FVTPL securities are securities that the Company purchases in open-ended funds and can be sold at short notice. The Company reports these securities at FVTPL with mark-to-market adjustments, transaction costs and any gains or losses on the sale of securities recorded in the Statement of Income in net trading income.

***g) Premises and Equipment***

Tangible fixed assets are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. The estimated useful lives are as follows:

- Leasehold improvements - Shorter of 10 years and remaining period of lease;
- Fixtures and fittings - Shorter of 10 years and remaining period of lease; and
- Computers and software - 2-5 years.

***h) Cash and due from banks and other financial institutions***

Cash and due from banks and other financial institutions includes cash and non-interest bearing deposits with banks, cheques and other items in transit. Cash comprises of the amounts deposited in the Company's principal bank accounts or nostros.

***i) Provisions***

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

***j) Employee benefits***

The Company offers a number of benefit plans which provide pension and other benefits to eligible employees. These plans include a defined contribution plan, health, disability and life insurance plans.

The Company offers medium term incentive plans for executives and certain senior employees under the BMO financial group medium-term incentive awards schemes. Further information about how the schemes are managed can be found in the BMO financial statements. Under the schemes offered to the Company employees the recipient receives a single cash payment at the end of the three-year period of the plan. The amount expensed for each award is either charged over the three years or where employees are eligible to retire expensed up to that point.

***k) Revenue from contracts with customers***

The Company includes revenues generated from contracts with customers within fees and commission income, including investment management fees and performance fees. Management fees are recognised as the related services are performed and obligations satisfied and are disclosed net of rebates. Performance fees are recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

***l) Leases***

When the Company enters into new arrangements as a lessee, a right-of-use asset is recognised equal to the lease liability, which is calculated based on the future lease payments discounted at BMO's incremental borrowing rate over the lease term. The lease term is based on the non-cancellable period and includes any options to extend or terminate which we are reasonably certain to exercise.

The right-of-use asset is depreciated on a straight-line basis, based on the shorter of useful life of the underlying asset or the lease term, and is adjusted for impairment losses, if any.

The lease liability accretes interest over the lease term, using the effective interest method, with the associated interest expense recognised in interest expense. The lease liability is remeasured when decisions are made to exercise options under the lease arrangement or when the likelihood of exercising an option within the lease changes.

Amounts relating to leases of low value are expensed when incurred in other operating expense.

## 3) Future changes in accounting policies

There are currently no upcoming changes in accounting policies expected to have a material impact that the Company needs to consider.

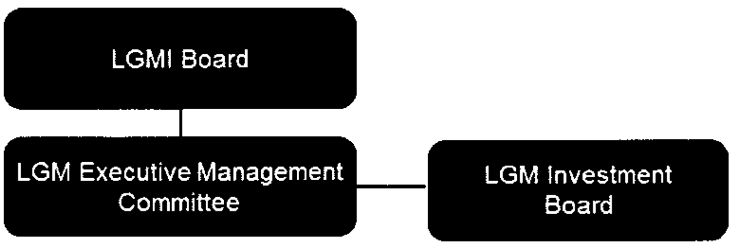
## 4) Financial and other risk management

During the year the Company was a wholly owned subsidiary of BMO. The risk management frameworks for BMO and the Company are governed by and fall within BMO's Enterprise Risk and Portfolio Management ("ERPM") policies and practices.

In addition, the Company has its own Board approved policies where it is deemed to be required for local purposes and where the Enterprise policies don't adequately cover local regulatory requirements.

A comprehensive risk governance structure supports LGMI as set out below. This governance structure was in place during the year and has continued after the purchase by Ameriprise

**Core LGMI structure**



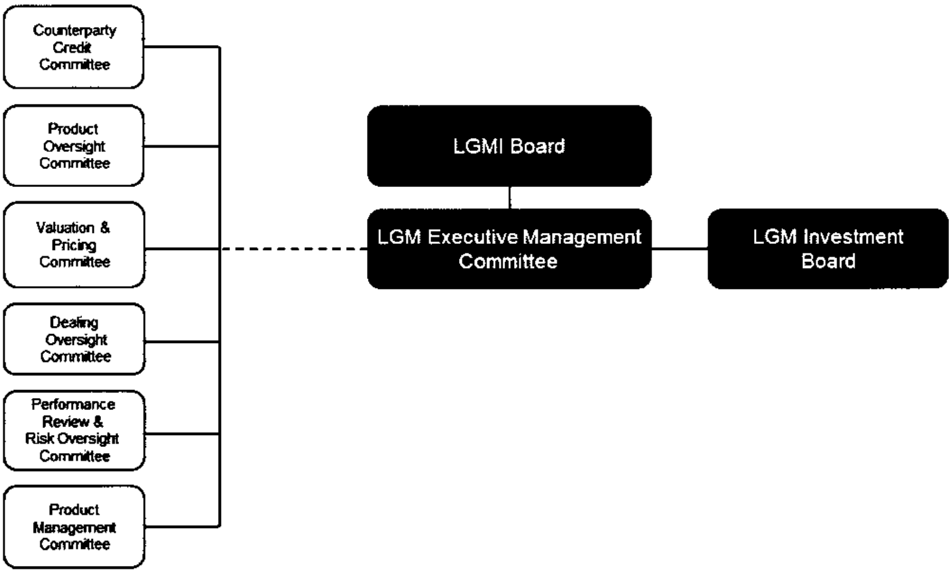

* **The Board of LGMI** meets formally on a regular basis and is responsible for setting risk appetite for and approving LGMI's objectives and policies. The Board focuses mainly on strategy, investment and financial performance, the control environment and executive management and Board succession. The Board is ultimately accountable to its shareholder for the overall performance of LGMI. Governance of the Risk

Management Framework is carried in conjunction with a series of executive and senior management committees. These include but are not limited to:

* **The LGM Executive Management Committee** ("LGM EMC") meets quarterly to review the financial, operational, regulatory and strategic issues for all of the LGM Group business including business continuity planning. Any significant findings in relation to LGMI issues that impact LGMI are reported through to the Board. The Executive Committee membership comprises three Directors and two senior managers including the CFO. Other executives attend but are not members.
* **The LGM Investment Board** meets to review investment strategy decisions. These are subject to peer review, discussion and approval. Portfolio Managers bring investment recommendations to the Investment Board (IB) for review and challenge.

**Support Committees and Management meetings**

BMO GAM EMEA has a series of Committees and management meetings which include oversight of LGMI. These have defined mandates allocating their accountability and responsibility. They are shown below with dotted line representing the information flow to the LGM EMC of any output that is relevant to LGMI. Such output is reviewed at the LGM EMC and any issues of note are in turn escalated to the Board as necessary.




* **Counterparty Credit Committee** is responsible for the Group's policy on the appointment and subsequent monitoring and review (commercial & operational) of counterparties. The Committee meets quarterly or more frequently if market conditions require.
* **Product Oversight Committee** meets on a monthly basis and is responsible for reviewing and challenging the recommendations made by the Product Management Committee for new Products and changes to existing Products to ensure that they meet applicable legal and regulatory requirements, meet the needs, characteristics, and objectives of an identified target market and ensure that in launching and offering our Products we adhere to our "Being BMO" values.
* **Valuation & Pricing** Committee is responsible for reviewing and approving the Pricing Policy & Procedures; approving alternative securities valuation sources and methodologies proposed by the Pricing Team or the Fund Managers in cases where a reasonable price cannot be sourced in accordance with Pricing Policy.
* **Dealing Oversight Committee** is responsible for the management and review of Dealing Commissions, Transaction Cost Analysis monitoring and Best Execution Policy.
* **Performance Review & Risk Oversight Committee ("PRROC")** is responsible for reviewing the performance and investment risk of each investment desk on a monthly basis. It achieves this through comparison of performance versus benchmark, comparison to peer group, review of turnover levels, attribution analysis and mandate breaches.

* **Product Management Committee** Product Management Committee identifies and approves the development of new products, including proposing launch dates, identified target market for end clients, commercial terms, and distribution strategy.

**Credit Risk**

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is one of the most important risks for the Company's business. Management therefore carefully manages exposure to credit risk.

The Company's maximum exposure to credit risk is equivalent to the asset position on the statement of financial position as it does not include any netting benefit or collateral.

**Market Risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Company's solvency while optimising the return or risk. LGMI is exposed to market risk through its investment in seed capital. A 10 per cent decline in the market value of the seed funds will cause a £182,211 charge to the Statement of Comprehensive Income (2020: £256,297).

**Foreign exchange risk**

The Company is subject to currency risk due to a material portion of its revenue being generated being in either US and Canadian Dollars or Euros, whereas the statement of financial position is denominated in Sterling (GBP).

The carrying amount of the Company's net open foreign currency denominated positions can be seen below:

| | **2021** | 2020 |
|---|---|---|
| United States dollars | 2,580,522 | 3,566,395 |
| Canadian dollars | 480,505 | 549,824 |
| Euro | 329,846 | 53,948 |
| Australian dollars | 124,134 | - |
| | 3,515,007 | 4,170,167 |

As at 31st October 2021, had GBP weakened by 10 per cent in relation to all currencies, with all other variables held constant, the net assets and gain for the year would have increased by the amounts shown below. The analysis is performed on the same basis for 2020.

| | **2021** | 2020 |
|---|---|---|
| United States dollars | 258,052 | 356,640 |
| Canadian dollars | 48,051 | 54,982 |
| Euro | 32,985 | 5,395 |
| Australian dollars | 12,413 | - |
| | 351,501 | 417,017 |

A 10 per cent strengthening of GBP against the open foreign currency denominated positions would have resulted in an equal but opposite effect on the financial statement amounts to the amounts shown above, on the basis that all other variables remain constant.

**Interest rate risk**

It is the Company's intention not to take any direct interest rate risk. The only balances that are subject to interest rate variability are the money market deposits which are deposited on a rolling basis up to 3 months in duration or in 95 day notice accounts. These deposits attract minimal interest rate risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The consequence may be the failure to meet the obligations to fulfil commitments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal and stressed conditions, without incurring additional losses or risking damage to the Company's reputation.

**FCA liquidity regulation**

As currently specified by FCA and in accordance with the overall Pillar 2 rule, a firm should consider its exposure to liquidity risk and assess its response should that risk materialise. When assessing liquidity risk, a firm should consider the amount of assets it holds in highly liquid, marketable forms that are available should unexpected changes in cash flows lead to a liquidity problem.

Furthermore, under the FCA liquidity requirements set out in BIPRU 12, a firm should ensure that there are sound, effective and complete processes and systems to identify, measure, monitor and control liquidity risk as well as the appropriate governance framework.

**Liquidity risk management process**

The Company is an integrated part of the BMO Group and therefore follows, and is obliged to comply with, all applicable aspects of BMO Group's policy regarding company-wide contingency funding plan. The Company's liquidity is managed within a global framework that manages the liquidity position on a consolidated basis and considers legal, regulatory, operational and any other restrictions when analysing the ability to lend or borrow funds between legal entities.

**Regulatory capital**

The Company is regulated by the FCA as an Investment Management firm. It is in the Company's capital management policy to ensure that it remains adequately capitalised in accordance with its risk appetite. The Company is committed to maintaining sufficient capital to underpin all risks as defined by internal and external regulatory capital requirements.

The Company assesses capital adequacy by comparing the actual solvency ratio to the internal solvency ratio. If there were to be a shortfall, the Chief Financial Officer recommends appropriate action to the Company's board.

The Company's regulatory capital consists of Tier 1 capital, which includes ordinary shares and audited retained earnings. Relevant deductions are made to the capital resources where appropriate.

**Classification of Financial Assets and Liabilities**

The Company holds investments in seed capital in funds, classified as Trading Securities under IFRS 9, which are described in more detail in note 12.

Notes to the Financial Statements, expressed in GBP

## 5) Net interest income

Net interest income is calculated using the effective interest method and is earned from deposits held at other financial institutions.

## 6) Net Fee and commission income

| **Fee and commission income** | **2021** | 2020 |
|---|---|---|
| Management Fees | 11,112,873 | 11,580,643 |
| Performance fees | - | 14,731 |
| Total fee and commission income | 11,112,873 | 11,595,374 |
| | | |
| Including related party income from: | | |
| Other Bank of Montreal subsidiaries | 7,612,209 | 6,963,472 |
| | 7,612,209 | 6,963,472 |
| **Fee and commission expense** | | |
| Revenue share to related parties and expenses paid to funds | 807,593 | 763,395 |
| Total fee and commission expense | 807,593 | 763,395 |

The Company has one operating segment which is investment management services. Fee and commission expenses represents advisory fees payable to other BMO Financial Group companies of £346,814 (2020: £245,038), fee rebates and expenses repayable to funds.

## 7) Net Trading income/(loss)

| **Securities** | **2021** | 2020 |
|---|---|---|
| Unrealised gains/(losses) on seed capital | 131,878 | (1,374) |
| Realised gains on seed capital | 129,507 | - |
| **Total net trading income** | 261,385 | (1,374) |

## 8) Employee compensation and benefits

The aggregate remuneration of all staff comprised:

| | **2021** | 2020 |
|---|---|---|
| Wages and salaries including commissions and bonus | 3,776,575 | 3,628,136 |
| Cash settled share based awards | 1,995,835 | 209,459 |
| Social security Costs | 718,497 | 452,596 |
| Defined contribution pension costs | 162,660 | 145,020 |
| Total employee compensation and benefits | 6,653,567 | 4,435,211 |
| | | |
| Included related party incurred expenses: | | |
| Subsidiaries of BMO Global Asset Management (Europe) Ltd | 797,411 | 652,925 |
| | 797,411 | 652,925 |

Notes to the Financial Statements, expressed in GBP

| Directors' Remuneration | 2021 | 2020 |
|---|---|---|
| Aggregate emoluments excluding pension contributions paid to or receivable by Directors in the period. | 1,271,171 | 739,205 |
| Emoluments excluding pension contributions paid to or receivable by the highest paid Director in the period. | 646,270 | 474,926 |
| No of Directors | 3 | 2 |
| Value of all pension related benefits accrued during the year | 33,696 | 21,883 |
| Value of all pension related benefits accrued during the year for the highest paid Director | 16,848 | 16,848 |

Included within the aggregate emoluments figure are cash settled share based awards payments of £227,498 (2020: £181,884).

## 9) Pension

Most staff are members of the defined contribution scheme to which the Company contributes a certain percentage. The assets of the scheme are held separately from those of the Company in independently administered funds. The total amount contributed by the Company in the financial year was £162,660 (2020: £145,020).

## 10) Other operating expenses

| | 2021 | 2020 |
|---|---|---|
| Audit fee payable for the audit of these financial statements | 27,493 | 24,200 |
| Fees payable to the Company's auditor in respect of other services | 10,285 | 9,350 |
| Amortisation and depreciation | 43,439 | 23,158 |
| Occupancy | 487,863 | 564,764 |
| Research, data services and software | 1,071,283 | 1,045,844 |
| Other expenses | 1,792,820 | 1,817,691 |
| | 3,433,183 | 3,485,007 |
| Included related party incurred expenses: | | |
| Bank of Montreal, London Branch | 281,877 | 489,974 |
| Pyrford International Ltd | 303,972 | 290,339 |
| Subsidiaries of BMO Global Asset Management (Europe) Ltd | 1,286,630 | 1,449,375 |
| | 1,872,479 | 2,229,688 |

Notes to the Financial Statements, expressed in GBP

## 11) Income tax expense

| Current tax: | **2021** | 2020 |
|---|---|---|
| *United Kingdom* | | |
| UK corporation tax on income for the year | 129,924 | 431,260 |
| Adjustment in respect of prior years | (1,808) | 21,263 |
| Total current tax charge | 128,116 | 452,523 |
| | | |
| Deferred Tax: | | |
| Deferred tax credit on temporary differences | (38,045) | 135,114 |
| Change in tax rates | (68,594) | (40,705) |
| Adjustment in respect of prior years | - | (3,179) |
| Total tax charge for the year | 21,477 | 543,753 |
| | | |
| Profits before taxation | 480,186 | 2,977,854 |
| Total tax charge | 21,476 | 543,753 |
| Effective tax rate | 4.47% | 18.26% |

The tax charge on activities for the year is different from the standard rate of UK corporation tax as detailed below:

| | | |
|---|---|---|
| Profit on ordinary activities before tax | 480,186 | 2,977,854 |
| Tax charge at standard rate of UK corporation tax of 19% (2020: 19%) | 91,235 | 565,792 |
| | | |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | 643 | 1,215 |
| Change in tax rates | (68,594) | (40,705) |
| Adjustments in respect of prior periods | (1,808) | 17,451 |
| Total tax charge for the year | 21,477 | 543,753 |

## 12) Securities

The Company has securities measured at FVTPL.

| **Classification of securities** | **2021** | 2020 |
|---|---|---|
| Securities - Investments in UCITS sub-funds | | |
| FVTPL | 1,822,114 | 2,562,967 |
| | 1,822,114 | 2,562,967 |

The Company manages assets held in investment vehicles on behalf of investors. The funds that it manages are held with BMO Investments II (Ireland) plc, a company organised under the European UCITS. This is an open-ended investment company incorporated with limited liability under the laws of Ireland. The company has been structured as an umbrella fund with segregated liability between funds so that separate classes of shares representing interests in different funds may be authorised for issue from time to time by the directors with the prior approval of the Central Bank of Ireland.

| **Sub-Fund Name** | **Currency of Investment** | **Fund Domicile** | **% Ownership** |
|---|---|---|---|
| BMO LGM Responsible Asian Equity Fund | USD | Ireland | 92% |
| BMO LGM Responsible China A Shares Fund | USD | Ireland | 74% |

The primary purpose of these investments in funds is to provide support to the fund structures and investment strategies in order to build fund performance and ensure options for clients who wish to invest in these strategies. These funds are invested in equities on listed markets as set out in the fund prospectus. During the year the investment in the BMO LGM Greater India Fund was fully redeemed and there were no new subscriptions.

Notes to the Financial Statements, expressed in GBP

## 13) Due from banks and similar financial institutions

| | **2021** | 2020 |
|---|---|---|
| One month or less | - | 15,055,407 |
| One to three months | 15,005,814 | - |
| | 15,005,814 | 15,055,407 |
| Including amounts due from related parties | | |
| Bank of Montreal | 15,005,814 | 15,055,407 |
| | 15,005,814 | 15,055,407 |

These amounts are interest bearing deposits held with banks on a rolling basis or on a notice basis up to a maximum of 95 days duration. The duration noted reflects the time to maturity of these deposits as at the 31st October.

## 14) Deferred Tax

| | **2021** | 2020 |
|---|---|---|
| The deferred tax asset arises from: | | |
| Deferred capital allowances | 25,744 | 24,094 |
| Other temporary differences | 444,750 | 362,604 |
| Bonus not paid within 9 months | 22,844 | - |
| Deferred tax asset | 493,338 | 386,698 |
| | | |
| Reconciliation of deferred tax assets: | | |
| At beginning of year | 386,698 | 477,928 |
| Temporary differences | 38,045 | (135,114) |
| Change in tax rates | 68,594 | 40,705 |
| Adjustment in respect of prior years | - | 3,179 |
| At year end | 493,338 | 386,698 |
| | | |
| Corporation tax debtor | (74,762) | - |
| Group relief payable * | - | 1,015,911 |
| Corporation tax creditor | 127,758 | 209,094 |
| | 52,996 | 1,225,005 |

The deferred tax asset arises from temporary differences relating to medium-term incentive share awards schemes and differences between the net book value of fixed asset and their tax written down value. The current UK Corporation Tax rate of 19% became effective from 1 April 2017, resulting in a statutory UK Corporation Tax rate of 19% for the year ended 31 October 2021 for the Company. The UK Government announced an increase in the UK Corporation Tax rate from 19% to 25% effective from 1 April 2023. This was substantively enacted on 24 May 2021. The effect of this rate change is to increase the value of deferred tax assets of the Company by a £68,594 credit through the Income Statement. The increase in the UK Corporation Tax rate will lead to a statutory UK Corporation Tax rate for the Company of 22.52% for year ending 31 October 2023, and 25% for years ending 31 October 2024 and after. The deferred tax asset has been stated at the rate at which the temporary differences are expected to reverse, except where the timing of the reversal is clearly known.

* £1,015,911 previously recorded in Corporation tax creditor has been reclassified for the year ended 31st October 2020. Whilst the comparative tax analysis has been restated it is not considered material in accordance with IAS 8.42.

Notes to the Financial Statements, expressed in GBP

## 15) Premises and equipment

| | Fixtures & Fittings | Computer & software | Leasehold Improvements | Right of Use Asset | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1st November 2019 | 21,006 | 166,053 | 2,387 | - | 189,446 |
| Additions | - | 51,742 | - | - | 51,742 |
| Disposals | - | - | - | - | - |
| At 31st October 2020 | 21,006 | 217,795 | 2,387 | - | 241,188 |
| Additions | 1,645 | 2,484 | - | 25,915 | 30,044 |
| Disposals | - | (13,761) | - | (3,685) | (17,446) |
| **At 31st October 2021** | **22,651** | **206,518** | **2,387** | **22,230** | **253,786** |
| **Depreciation** | | | | | |
| At 1st November 2019 | 19,447 | 126,929 | 2,225 | - | 148,601 |
| Charge for the year | 1,559 | 21,437 | 162 | - | 23,158 |
| On disposals | | | | | |
| At 31st October 2020 | 21,006 | 148,366 | 2,387 | - | 171,759 |
| Charge for the year | 591 | 28,633 | - | 14,215 | 43,439 |
| On disposals | - | (13,761) | - | (3,685) | (17,446) |
| **At 31st October 2021** | **21,597** | **163,238** | **2,387** | **10,530** | **197,752** |
| **Net Book Value** | | | | | |
| At 31st October 2020 | - | 69,429 | - | - | 69,429 |
| **At 31st October 2021** | **1,054** | **43,280** | **-** | **11,700** | **56,034** |

***Leases***

When the Company enters into new arrangements as a lessee, a right-of-use asset is recognised equal to the lease liability, which is calculated based on the future lease payments discounted at BMO's incremental borrowing rate over the lease term. The lease term is based on the non-cancellable period and includes any options to extend or terminate which we are reasonably certain to exercise.

The right-of-use asset is depreciated on a straight-line basis, based on the shorter of useful life of the underlying asset or the lease term, and is adjusted for impairment losses, if any.

The lease liability accretes interest over the lease term, using the effective interest method, with the associated interest expense recognised in interest expense. The lease liability is remeasured when decisions are made to exercise options under the lease arrangement or when the likelihood of exercising an option within the lease changes.

Amounts relating to leases of low value are expensed when incurred in other operating expense.

***Impairment***

Depreciation methods, useful lives and the values of premises and equipment are reviewed regularly for any change in circumstance and are adjusted if appropriate. At least annually, the Company reviews whether there are any indications that premises and equipment need to be tested for impairment.

If there is an indication that an asset may be impaired, the Company tests for impairment by comparing the asset's carrying value to its recoverable amount. The recoverable amount is calculated as the higher of the value in use and the fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from the asset. An impairment charge is recorded when the recoverable amount is less than the carrying value.

Notes to the Financial Statements, expressed in GBP

There were no write-downs of premises and equipment due to impairment during the years ended 31st October 2021 and 2020.

## 16) Other assets

| | **2021** | 2020 |
|---|---|---|
| Trade debtors | 2,943,218 | 2,564,569 |
| Prepayments | 56,982 | 79,421 |
| Corporation tax debtor | 74,762 | - |
| Other debtors | 77,242 | 137,133 |
| | 3,152,204 | 2,781,123 |
| Including amounts due from related parties: | | |
| Subsidiaries of BMO Global Asset Management (Europe) Ltd | 1,132,490 | 941,613 |
| Other Bank of Montreal subsidiaries | 861,177 | 873,268 |
| | 1,993,667 | 1,814,881 |

The Company considers the fair value and the carry value of these debtors to be of no discernable difference given the short time frames to maturity.

## 17) Other liabilities

| | **2021** | 2020 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Accruals and deferred income | 3,750,921 | 4,342,015 |
| Corporation tax payable | 127,758 | 209,094 |
| Group relief payable* | - | 1,015,911 |
| Lease Liability | 12,008 | - |
| Social security and other taxes | 403,883 | 292,470 |
| | 4,294,570 | 5,859,490 |
| **Amounts falling due after one year:** | | |
| Accruals and deferred income | 1,692,053 | 803,347 |
| Social security and other taxes | 263,114 | 110,862 |
| | 1,955,167 | 914,209 |
| Total other liabilities | 6,249,737 | 6,773,699 |
| Including amounts due to related parties | | |
| Bank of Montreal, London Branch | 492 | 118,781 |
| Subsidiaries of BMO Global Asset Management (Europe) Ltd | 818,651 | 1,266,294 |
| Pyrford International Ltd | 109,527 | 162,391 |
| Other Bank of Montreal subsidiaries | 103,688 | 133,288 |
| | 1,032,358 | 1,680,754 |

The Company considers the fair value and the carry value of the amounts falling due within one year to be of no discernable difference. Amounts falling due after one year are exclusively related to deferred employee variable awards.

* £1,015,911 previously recorded in Corporation tax payable has been reclassified for the year ended 31st October 2020. Whilst the comparative tax analysis has been restated it is not considered material in accordance with IAS 8.42.

Notes to the Financial Statements, expressed in GBP

## 18) Share Capital

| | 2021 | 2020 |
|---|---|---|
| Allotted, called up and paid | | |
| Ordinary shares at £1 per share | 16,500,000 | 16,500,000 |
| Ordinary shares at £1 per share, part paid £0.70 | 1,000,000 | 1,000,000 |
| | 17,500,000 | 17,500,000 |

No new shares were issued during the year ended 31st October 2021 (2020: Nil). The total number of shares issued is 17,928,572 (2020: 17,928,572).

No dividends are proposed or declared before the financial statements were authorised for issue.

## 19) Related parties

Related parties include associated companies and entities which are directly or indirectly, controlled by, jointly controlled by or significantly influenced by the Directors or their close family members.

***Transaction with other company entities***

In the normal course of business, the Company provides certain financial services to other company entities including inter-company management fees. These transactions were made on substantially the same terms as for comparable transactions with third-party counterparties. Details of such related party transactions are disclosed in the related notes to the financial statements above.

***Key management personnel remuneration***

Related parties include key management personnel and their close family members. Close family members include spouses, common-law partners and dependent minors. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling our activities, directly or indirectly. Senior management of the Company plan, direct and control the day-to-day business activities. These business activities are carried out within the strategic framework established by the executive of our ultimate parent, the Bank. Thus, the Company's key management personnel have been determined to be the Bank's Board of Directors and certain key executives (together "key management personnel") as they provide overall direction and oversight for the Bank. The key management personnel are ultimately responsible for all material decisions of the Bank. The key management personnel are also responsible for establishing the overall strategic direction of the consolidated Bank, both domestically and internationally and, in that regard, establish such parameters for the consolidated Bank within which the Board of Directors and management of each subsidiary in the consolidated Bank exercise their discretion to make decisions concerning the strategic direction and day-to-day management of the operations of the particular subsidiary. The Bank's Directors oversee the management of the business and provide stewardship.

The compensation of those executive directors of LGMI, who are also employees of the Company, can be found in note 8.

## 20) Fair value of financial instruments

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date (i.e. an exit price). Fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to changes in market conditions or other factors. Some financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. Where there is no quoted market price, we determine fair value using management's best estimates based on a range of valuation techniques and assumptions; since they involve uncertainties, the fair values may not be realised in an actual sale or immediate settlement of the instruments.

Notes to the Financial Statements, expressed in GBP

***Securities***

For securities, quoted market value is considered to be fair value. Quoted market value is based on bid price. Securities for which no active market exists are valued using all reasonably available market information.

***Other Financial Instruments***

Carrying value is assumed to be a reasonable estimate of fair value for our cash and cash equivalents.

Certain assets, including premises and equipment, goodwill and intangible assets as well as shareholders' equity, are not considered financial instruments and therefore no fair value has been determined for these items.

For longer-term financial instruments within other liabilities, fair value is normally determined as the present value of contractual cash flows using discount rates at which liabilities with similar remaining maturities could be issued as at the balance sheet date. For the long-term liabilities relating to variable awards, the amortised cost is considered a reasonable estimate of fair value.

**Fair Value Hierarchy**

IFRS 13 specifies the hierarchy of valuation techniques for financial assets that are fair valued based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed securities and debt instruments on exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

**Financial Assets at fair value as at 31st October 2021**

| Securities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| FVTPL | - | 1,822,114 | - | 1,822,114 |
| | - | 1,822,114 | - | 1,822,114 |

Financial Assets at fair value as at 31st October 2020

| Securities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| FVTPL | - | 2,562,967 | - | 2,562,967 |
| | - | 2,562,967 | - | 2,562,967 |

There were no movements between levels during the year.

## 21) Disclosure of interests in other entities

**Significant judgements and assumptions**

The Company has made assessments as to whether it is an agent or principal in relation to the funds it manages, and the level of control it has over the related entities. This involved assessing the power it has over structured entities, the level of variable returns (including management fees and direct interests held through investments) received from these funds and the linkage between power and variable returns.

The Company has determined that it does not control the funds it manages by reviewing fund structures and voting rights, including the rights to remove the Company as fund manager. Accordingly, the Company has categorised these funds as unconsolidated structured entities. The Company has also assessed that segregated mandates managed on behalf of clients do not qualify as structured entities, with these mandates excluded from the disclosures outlined below.

**Interests in unconsolidated structured entities**

*Nature, purpose and activities of structured entities*

The Company has facilitated the set-up of certain investment funds which are considered to be structured entities and currently provides investment management and other related services to these funds. The structured entities provide a mechanism for clients to invest into various asset management strategies. The Company is generally involved, to varying degrees, in the operation and distribution of these structured entities. While the Company obtains a variable return from these structured entities (in the form of management fees), the level of return and the limited extent of any direct interest held are not considered to be sufficient to meet the criteria of control and therefore such investment funds are not consolidated.

The Company considers the following funds to be unconsolidated structured entities: Pooled Undertakings for Collective Investment in Transferable Securities ("UCITs") or other pooled funds.

The Company generally provides investment management and administrative functions to these structured entities as a means of generating management fee income. The Company's interest in these funds is conducted through a contractual involvement, although it can hold a direct interest in these funds through seeding of certain sub-funds. The Company routinely recognises trade receivable with these funds in respect of management fees.

*Funding of unconsolidated structured entities*

The structured entities generally raise funds from third-party clients through ongoing fundraising. The Company promotes the external fundraising in these funds through marketing activity but does not generally invest into these funds. The structured entities are generally open-ended funds which vary in size depending on levels of creations and cancellations. These vehicles are fundamentally financed through the issue of shares or units to investors.

*Nature of risks associated with unconsolidated structured entities*

The Company does not consider itself to be exposed to significant risks from its operation of unconsolidated structured entities, although it does face some risks as noted below

- The Company receives management fees directly from the unconsolidated structured entities it manages and will therefore have direct credit exposure in respect of such fees until the amounts are settled
- The Company may have its fees restricted by 'Total Expense Ratio' clauses, which cap certain costs borne by funds.

Such exposure is considered to be low risk.

*Size of unconsolidated structured entities*

The total AUM in respect of unconsolidated structured entities managed by the Company (excluding delegated portfolio management) at the reporting dates are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| **Structured entity type:** | | |
| Non-UK open-ended funds | 349 | 482 |

As at 31st October 2021 the Company had financial investments of £1,822,114 (2020: £2,562,967) and debtors of £371,000 (2020: £570,000) recognised in the Statement of Financial Position in relation to its interests in unconsolidated structured entities.

*Non-contractual support provided to unconsolidated structured entities*

The Company has no commitments or guarantees in respect of these funds, nor does it provide commitments for any fundraising activities in respect of the funds or routinely supply non-contractual financial support to structured entities. The Company does, however, provide marketing and operational support and certain administrative services to the structured entities it manages. The remuneration for these services is included within the management fee it receives.

*Losses incurred from unconsolidated structured entities*

No material losses have been recognised by the Company in connection with its interests in unconsolidated structured entities in either of the reporting periods. The Company has reimbursed any operational errors arising during the course of the year which are connected with unconsolidated structured entities. These costs are included within operating expenses.

*Income from interests in unconsolidated structured entities*

Net fee and commission income includes fees of £2,413,285 (2020: £3,799,022) received in respect of the management of unconsolidated structured entities.

## 22) Ultimate holding company

Until the 8th November 2021 the Company's ultimate parent undertaking and controlling party was Bank of Montreal, incorporated in Canada. The largest and smallest company in which the results of the Company are consolidated is that headed by the Bank of Montreal. The consolidated accounts of the Bank of Montreal are available from Bank of Montreal, Public Affairs Department, P.O. Box 6002, Place d'Armes, Montreal, Quebec H2Y, Canada or P.O. Box 1, First Canadian Place, Toronto, Ontario M5X 1A1, Canada.

## 23) Events after the reporting period

On 12th April 2021, BMO announced that agreement had been reached to sell its asset management business in EMEA to Ameriprise Financial, Inc, which is incorporated in Delaware, United States of America. The transaction completed on 8th November 2021.

The Company formed part of BMO's asset management business in EMEA. Therefore, as part of the broader transaction agreed with BMO, the Company has transferred to become part of the Columbia Threadneedle Investments asset management business within Ameriprise.

While the proposed acquisition has had no material impact on the Company's results for the year to 31st October 2021, or the financial position at that date, it could impact the results of the Company for the year to 31st October 2022 and beyond and it is not possible to quantify that impact at this date. Ameriprise is now the Company's ultimate parent.

# LGM Investments Limited

# Pillar 3 Disclosures

# As at 31st October 2021

# Contents

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## A. Introduction

LGM Investments Limited ("LGMI") was until 8th November 2021 a wholly owned subsidiary of the Bank of Montreal ("BMO") and is a solo entity regulated by the Financial Conduct Authority ("FCA") (Firm number 176763). LGMI is a private company incorporated in England and Wales with limited liability and its capital arrangements are as established under applicable law and are set out in the company's Articles.

On 12th April 2021, BMO announced that agreement had been reached to sell its asset management business in EMEA to Ameriprise Financial, Inc ("Ameriprise"), which is incorporated in Delaware, United States of America. The transaction completed on 8th November 2021.

The Company formed part of BMO's asset management business in EMEA. Therefore, as part of the broader transaction agreed with BMO, the Company has transferred to become part of the Columbia Threadneedle Investments asset management business within Ameriprise.

While the proposed acquisition has had no material impact on the Company's results for the year to 31st October 2021, or the financial position at that date, it could impact the results of the Company for the year to 31st October 2022 and beyond. Ameriprise is now the Company's ultimate parent.

LGMI is a specialist Global Emerging Markets ("GEM") equity manager with a strong focus on responsible investing. LGMI provides specialist investment management and advice with a primary focus on Global Emerging Market equity mandates for institutional clients. The Company's overriding objective is to deliver exceptional investment management expertise to its global clients. LGMI is part of a wider group branded under LGM Investments ("LGM" or "LGM Group"). Established in 1991, the investment professionals are primarily based in London with a further team based in Hong Kong. LGMI manages all of its strategies with the application of a single, firm wide investment philosophy and process underpinned by the collective purpose to improve lives, together.

As part of forming a comprehensive strategic plan, the Company created a purpose statement to clarify direction both from a business and employee standpoint. This purpose statement is in turn aligned with the broader BMO purpose statement. By working together and striving for investment excellence, the Company aspires to improve lives of individual investors, people in the markets where the Company operates, and for employees.

At the end of October 2021 LGMI managed GBP 3.4 billion in Assets Under Management ("AUM") based across a mixture of pooled funds based in Ireland, USA, Canada and Australia or segregated mandates specific to individual clients.

The Hong Kong team runs the LGM China strategy and sits under the local company where it is governed and regulated by the Hong Kong regulator. As such the Hong Kong team is out of scope of this document. LGMI's position in the ownership structure is as follows.

## B. Purpose of Disclosure

The Capital Requirements Directive ("CRD") of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ("FCA") in its regulations through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). This disclosure is prepared in accordance with the CRD III. LGMI qualifies to remain under the BIPRU rules as it does not have permission to hold client money or deal for its own account and is thus classified as a BIPRU €50K firm.

The FCA framework consists of three "Pillars":

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

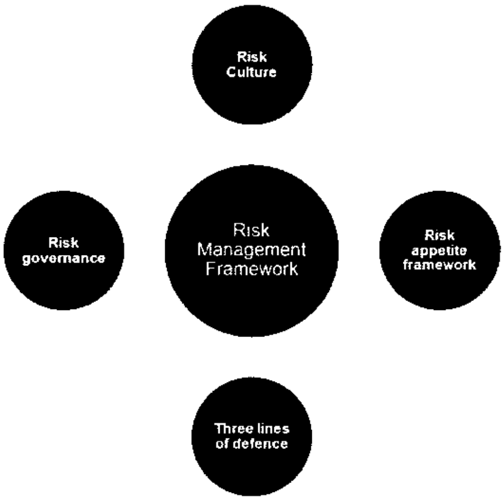
The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations. We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would not be likely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that information is immaterial, proprietary or confidential.

## C. Risk Management and Governance Framework

As LGMI was a wholly owned subsidiary of BMO until 8th November, the risk management frameworks for BMO and LGMI was governed by and fell within BMO's Enterprise Risk and Portfolio Management policies and practices.

This consists of BMO's strong risk culture, BMO's risk appetite framework, BMO's three-lines-of-defence operating model and risk governance structure. These have all been adopted within LGMI and the LGM Group.




Within the framework, risk-taking and risk management activities across the enterprise are guided by BMO's Risk Principles:

- management of risk is a responsibility at all levels of the organisation;
- material risks to which the enterprise is exposed are identified, measured, managed, monitored and reported;
- risk identification and measurement will include both qualitative and quantitative elements, including views of risk relative to the external operating environment and stress testing and scenario analysis; and
- decision-making is based on a clear understanding of risk, accompanied by robust metrics and analysis.

LGMI's risks are typical to those of investment managers and are categorised internally under financial risk, operational risk and strategic and business risk. It is important to note that all risks are monitored and managed as part of a governance and risk management framework which is consistently applied.

## i. Risk Culture

At LGMI we believe that Risk Management is every employee's responsibility. Our risk culture encourages openness, constructive challenge and personal accountability. By maintaining a culture that emphasises the importance of rigorous disciplines and procedures we can safeguard the interests of our clients and other stakeholders. Our risk culture is deeply rooted within our policies, business processes, risk management frameworks, risk appetite, limits and tolerances, compensations practices, and is evident in every aspect of how we operate.

LGMI's integrated and disciplined approach to risk management is fundamental to the success of our operations. All elements of our risk management framework work together in support of prudent and measured risk-taking, while striking an appropriate balance between risk and return. LGMI is committed to high standards of corporate governance and maintaining a strong risk and control framework. This is achieved through:

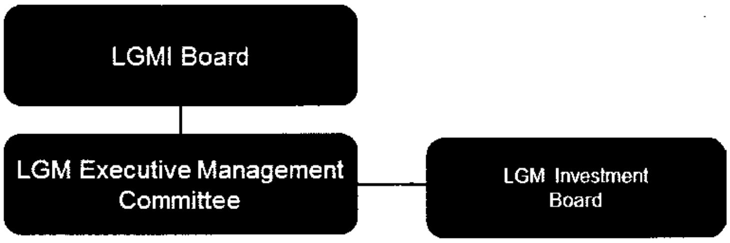
- An organisation structure designed to ensure strict segregation of duties between investment management and the services provided by BMO GAM EMEA - operations, service provider oversight, custodial and controls functions;
- the appointment of experienced senior managers;
- a clear definition of managerial and staff responsibilities with reporting lines ensuring an appropriate segregation of duties;
- professionally staffed Risk, Compliance and Internal Audit departments with independent reporting lines and access to the Board and to the Heads of Risk, Compliance and Internal Audit at Bank of Montreal Group;
- a corporate governance committee structure staffed with experienced professionals;
- a clearly defined Risk Appetite Statement, which includes both qualitative and quantitative elements;
- clear corporate policies and standards which apply across LGMI, and on-going regulatory training to ensure that all staff remain competent and knowledgeable for their roles;
- regular risk and control reporting to the appropriate governance committees; and
- the employment of suitably skilled and competent staff who have been screened prior to the commencement of employment and whose competence is reviewed on an annual basis.
- LGMI is committed to high standards of corporate governance, and the Board of Directors is accountable to the LGMI's shareholder for this. The Board currently comprises the Chair, three Executive Directors and three Non-Executive Directors who are members of BMO.

LGMI's risk culture is grounded in a "Being BMO" risk management approach that encourages openness, constructive challenge and personal accountability. Timely and transparent information sharing is key to how we engage stakeholders in material decisions and strategy discussions, thereby bringing rigour and discipline to decision making. This leads to the timely identification, escalation and resolution of issues. It also encourages open communication, independent challenge and a clear understanding of the key risks faced by our organization. Thus ensuring that employees are equipped and empowered to make decisions and take action in a coordinated and consistent manner, supported by a strong monitoring and control framework.

## ii. Risk Governance

A comprehensive risk governance structure supports LGMI as set out below.

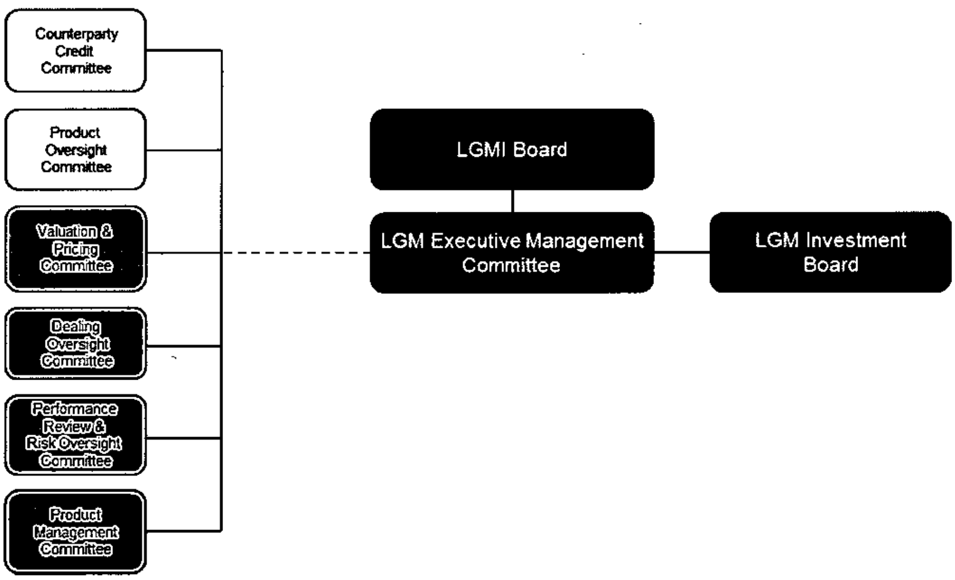
**Core LGM structure**




- **The Board of LGMI** meets formally on a regular basis and is responsible for setting risk appetite for and approving LGMI's objectives and policies. The Board focuses mainly on strategy, investment and financial performance, the control environment and executive management and Board succession. The Board is ultimately accountable to its shareholder for the overall performance of LGMI. Governance of the Risk Management Framework is carried in conjunction with a series of executive and senior management committees. These include but are not limited to:
- **The LGM Executive Management Committee** ("LGM EMC") meets quarterly to review the financial, operational, regulatory and strategic issues for all of the LGM Group business including business continuity planning. Any significant findings in relation to LGMI issues that impact LGMI are reported through to the Board. The Executive Committee membership comprises three Directors and two senior managers including the CFO. Other executives attend but are not members.
- **The LGM Investment Board** meets to review investment strategy decisions. These are subject to peer review, discussion and approval. Portfolio Managers bring investment recommendations to the Investment Board (IB) for review and challenge.

**Support Committees and Management meetings**

BMO GAM EMEA has a series of Committees and management meetings which include oversight of LGMI. These have defined mandates allocating their accountability and responsibility. They are shown below with dotted line representing the information flow to the LGM EMC of any output that is relevant to LGMI. Such output is reviewed at the LGM EMC and any issues of note are in turn escalated to the Board as necessary.



- **Counterparty Credit Committee** is responsible for the Group's policy on the appointment and subsequent monitoring and review (commercial & operational) of counterparties. The Committee meets quarterly or more frequently if market conditions require.
- **Product Oversight Committee** meets on a monthly basis and is responsible for reviewing and challenging the recommendations made by the Product Management Committee for new Products and changes to existing Products to ensure that they meet applicable legal and regulatory requirements, meet the needs, characteristics, and objectives of an identified target market and ensure that in launching and offering our Products we adhere to our "Being BMO" values.
- **Valuation & Pricing** Committee is responsible for reviewing and approving the Pricing Policy & Procedures; approving alternative securities valuation sources and methodologies proposed by the Pricing Team or the Fund Managers in cases where a reasonable price cannot be sourced in accordance with Pricing Policy.
- **Dealing Oversight Committee** is responsible for the management and review of Dealing Commissions, Transaction Cost Analysis monitoring and Best Execution Policy.
- **Performance Review & Risk Oversight Committee ("PRROC")** is responsible for reviewing the performance and investment risk of each investment desk on a monthly basis. It achieves this through comparison of performance versus benchmark, comparison to peer group, review of turnover levels, attribution analysis and mandate breaches.
- **Product Management Committee** Product Management Committee identifies and approves the development of new products, including proposing launch dates, identified target market for end clients, commercial terms, and distribution strategy.

## b) The Three Lines of Defence

We believe that three lines of defence, staffed with capable individuals instilled with a strong sense of risk awareness, are at the heart of effective risk management.

| 1st Line of Defence (Incl. Executive/Senior Management, Investment Risk, Business Risk, Investment Mandate Control and BUCO) | 2nd Line of Defence (Incl. Compliance, BMO Financial Group Risk) | 3rd Line of Defence (Internal Audit) |
|---|---|---|
| Own and promote a strong risk culture.<br><br>Identify, monitor, quantify and report risks arising from their operating activities and initiatives.<br><br>Establish appropriate internal control structures to manage risk and optimise return.<br><br>Act within their delegated risk-taking authority as set out in established policies and standards.<br><br>Undertake monitoring and testing of established controls (e.g. regulatory, investment risk and AML controls). | Provide independent oversight, effective challenge and independent assessment of risks and risk management practices.<br><br>Set risk management policies and establish infrastructure, processes and practices that identify, assess, manage and monitor all significant risks across the business.<br><br>Independently assess, quantify, monitor, manage, mitigate and report all significant risks. | Providing an independent assessment of the effectiveness on internal control, including risk management and governance processes that support the business, its objectives and the Board of Directors' discharge of their responsibilities. |

## 1st Line of Defence

### Executive, Senior and Business Line Management

The LGMI Executive and Senior Management Team are ultimately responsible for establishing and maintaining effective systems and controls, although all employees have a role to play in managing and controlling risk.

### Business Risk

The Business Risk team supports the LGMI Board in discharging their duty to ensure that effective systems and controls are in place. The team operates independently of any other business line, investment team or function and its key objective is to develop and implement a robust risk and control framework enabling risks to be:

- identified and assessed across LGMI;
- managed within acceptable tolerance levels;
- monitored on a regular basis; and
- reported to management on a timely basis.

The Business Risk team is a key part of our first line of defence and covers Operational Risk and Counterparty Risk.

**Business Unit Compliance Officer**

The Business Unit Compliance Office, or BUCO, operates within our first line of defence. They provide support to the business whilst also providing oversight, challenge and assessment of regulatory risks and processes.

**Investment Mandate Control**

The Investment Mandate Control team provide independent oversight and checking of investment mandate restrictions.

**Investment Risk Oversight**

The Investment Risk Oversight team provides independent risk oversight, monitoring, analysis and reporting. The team's remit is to provide independent oversight on the effectiveness of all fund managers in managing the investment risk in their portfolios.

**2nd Line of Defence**

**Compliance**

The Compliance department is responsible for ensuring LGMI operates in line with its regulatory obligations. The team also supports the business with advice and guidance on current and future regulatory matters. **BMO Financial Group Operational Risk**

The team is responsible for the development, maintenance and operation of the BMO FG Operational Risk Management Framework. They provide independent oversight, effective challenge, independent assessment of risk and risk management practices within all of BMO Financial Group. In addition, they also provide second line oversight of the BMO Global Asset Management Business Risk Function which covers LGMI.

**BMO Financial Group Risk Specialty Areas**

These are specialist teams who set the risk management policies for their area of expertise and establish the infrastructure, processes and practices used to identify, assess, manage and monitor risk. The risk types covered by these independent and specialist teams include but are not limited to:

- Accounting & Financial Management;
- Anti-Money Laundering;
- Business Continuity;
- Fraud & Criminal;
- Human Resources;
- Information;
- Technology;
- Legal;
- Model;
- Outsourcing & Supplier;
- Regulatory Compliance; and

- Process.

**3rd Line of Defence**

**Internal Audit**

The BMO Global Asset Management Internal Audit team are part of the BMO Corporate Audit Division and are responsible for performing independent risk-based audit reviews and highlighting control deficiencies and issues to senior management for remediation. Internal Audit is independent of the day-to-day operations and management of the business; they are an integral part of the risk framework and work closely with management and the Audit and Compliance Committee.

**c) Risk Appetite Framework**

The Risk Appetite Framework encompasses the overall approach, including principles, policies, processes, roles and responsibilities, and systems through which Risk Appetite is established, communicated, implemented and monitored.

LGMI maintains a cautious approach to risk in order to ensure that it remains sufficiently liquid and capitalised. While our primary strategic objective is to obtain optimal growth and return for our clients, our approach is measured so as to ensure best possible performance while remaining within our defined risk appetite.

The Risk Appetite Statement:

- reflects the strategic direction of LGMI;
- is aligned to the key risks faced by LGMI;
- details / defines both qualitatively and quantitatively the amount of risk that LGMI is willing to accept when carrying out its business and in the pursuit of its business objectives;
- is supported by maximum risk tolerance levels by risk category and appropriate risk measures and limits;
- details the roles and responsibilities of key individuals and committees and the reporting and escalation process; and
- is supported by appropriate policies and procedures which set out the components of the risk framework.

Due to the complexities of quantifying the anticipated impacts and likelihoods posed by each type of risk, LGMI also expresses its risk appetite by risk category. Where any risk is assessed and found to be in excess of the risk appetite, a specific risk management action plan is put in place and subject to review by the Board.

The LGMI Board owns and reviews its own risk appetite statement and associated key metrics on a quarterly basis. In particular, the Board will re-assess the risk appetite in light of changes in the environment, objectives or strategy of LGMI. If any metrics on the Risk Appetite dashboard are outside of agreed tolerances, the Board is provided with proposed remedial actions to consider and approve.

**d) LGMI Risk Assessment**

The LGMI Board and EMC also receive and review a risk assessment at each meeting which is prepared by Business Risk in conjunction with the first line business. This details their current assessment of the top risks facing LGMI together with the capital allocations made to them within the ICAAP where appropriate. This ensures that when any strategic activities, new products or other significant changes are being discussed, that management consider the capital implications and any associated changes that should be reflected within the ICAAP.

A risk appetite is recorded for each risk together with metrics for monitoring the risk against the prescribed appetite. Business Risk monitor the metrics and will report any breaches of appetite to the Board so a decision can be made to either reduce the level of risk or formally acknowledge the level of risk through a risk acceptance. Following a risk acceptance, either the LGMI Risk Appetite Statement is amended, or a longer term mitigation strategy is agreed.

The risks are scored inherently and residually, before being recorded on a heat map. Their status versus risk appetite is also recorded together with the risk owner and the trend the risk is displaying from the previous quarter (increasing, decreasing or remaining at the same level). Any risks which are scored in the red areas of the heat map on a residual basis are usually deemed to be outside of LGMI's risk appetite. In such an instance, the Board reviews the risk and considers either increasing controls, ceasing the activity or documenting a formal risk acceptance.

## D. Capital Adequacy

### Capital Resources

LGMI maintains sufficient capital to meet its regulatory requirements and takes a prudent approach to the management of its capital base. A summary of the composition of regulatory capital for the Company as at 31st October 2021 is set out below which includes audited profits for the year to October 2021.

| **Tier one capital** | £ '000 |
|---|---|
| - Ordinary Share Capital | 17,500 |
| - Retained Earnings | 4,721 |
| **Total core tier one capital** | **22,221** |

### Capital Requirement

LGMI's capital requirement amounts to the highest of the following three components:

- Pillar 1 capital requirement, which is calculated according to the FCA rules;
- Pillar 2 capital requirement, which is based on LGMI's own assessment of adequate capital required to mitigate key risks identified;
- Cost of an orderly wind down, being the capital required to perform an orderly wind down of the business.

**Pillar 1**

As BIPRU Limited Licence €50k firm, LGMI's Pillar 1 capital requirements have been calculated as the higher of:

1. Base capital requirement of €50,000;
2. Fixed Overhead Requirement ("FOR") based on audited accounts;
3. The sum of the credit and market risk requirements.

Credit risk is calculated using the FCA's standardised method as shown in the following table. All figures in GBP '000s.

| Risk Type | Value as at 31st Oct 2021 | Weighting | Charge | Capital required |
|---|---|---|---|---|
| Bank and Cash | 22,911 | 20% | 8% | 367 |
| Equity type assets | 1,822 | 100% | 8% | 146 |
| Higher risk assets | 493 | 250% | 8% | 99 |
| Other | 3,208 | 100% | 8% | 256 |
| | | | | **868** |

Market risk is calculated using the FCA's standardised method as shown in the following table. All figures in GBP '000s.

| Risk Type | Value as at 31st Oct 2021 | Weighting | Charge | Capital required |
|---|---|---|---|---|
| Foreign currency balances | 3,515 | 100% | 8% | 281 |

The FOR is calculated as 25% of the audited expenses for the year to 31st October 2021 after adjusting for variable awards, including related taxes and other variable items.

Based on the audited figures for the year to 31st October 2021 these have been calculated as shown in the table below. LGMI's Pillar 1 capital requirement is therefore the FOR.

| **Capital Requirements** | **£000's** |
|---|---|
| Credit Risk under the standard method | 868 |
| Market Risk under the standard method | 281 |
| FOR based on October 2021 Audited Accounts | 1,980 |
| **Pillar 1 Capital** | **1,980** |

**Orderly Wind Down**

LGMI performed an exercise to determine the cost of an orderly wind-down of the business. This involved making prudent and realistic assumptions on timings and costs based on contractual obligations with its suppliers and its responsibilities to clients and regulators as an Investment Manager.

**Pillar 2**

The identification of key risks to which the company is exposed, assessing the probability of those risks occurring and quantifying the potential impacts of those risks is carried out by LGMI's Board to provide a Pillar 2 capital assessment. A summary of the key risks faced by LGMI and considered in its ICAAP is set out below. Risks are grouped in the categories of financial risk, operational risk and strategic/business risk.

**Financial Risks**

Financial risks for LGMI are summarised as counterparty credit risk, market risk and liquidity risk. These are managed by the LGMI finance function where a low risk approach is taken to ensure capital is preserved and financial risks are managed appropriately. Both capital and liquidity positions are reported to the Board on a regular basis.

Counterparty credit risk is the potential for loss due to the failure of a borrower or counterparty to honour a pre-determined financial obligation. For LGMI this risk is mitigated by ongoing due diligence on counterparties, diversifying bank deposits and maintaining close control over the invoicing and collation of fees.

Market risk is the potential for a negative impact resulting from adverse changes in the value of financial instruments. This impacts LGMI through its seed capital holdings and foreign currency balances. LGMI manages its foreign currency market risk exposure by repatriating its non GBP excess cash holdings as soon as is practical.

Liquidity risk is the risk that LGMI may be unable to meet its payment obligations as they fall due. This risk is mitigated by the fact that LGMI has no debt and maintains cash levels in excess of regulatory capital requirements. A liquidity stress test is also performed as part of LGMI's ICAAP. Furthermore, LGMI has no significant financial contagion risk arising from other BMO Financial Group entities.

**Operational Risks**

LGMI looks to manage and mitigate its operational risks through the risk framework and governance as set out above. LGMI's investment team operates under a one team, one process methodology, thereby enhancing the importance of the overall group and placing less reliance on any one individual's knowledge and strategy. Business Risk provides regular reporting to the Board, highlighting significant events and changes to the risk profile of LGMI. The key operational risks highlighted in the ICAAP are summarised below.

Reputational risk is likely to arise as a result of a failure to manage other risks in line with the stated risk appetite. This is one of the principal risks for an asset management business, and LGMI recognises that effective risk management and strong internal controls are central to the business model.

Market performance risk and investment performance risk are the risks of performance of the funds, due to the market or the actions of the fund manager, being significantly below expectations of investors which leads to them redeeming out of the funds.

Key employee risk is the risk of senior management or investment staff leaving. If a senior Portfolio Manager leaves, a significant outflow could occur from the strategy covered, or lead to the pipeline of new business being affected.

IT risk can relate to cyber-crime and systematic failure of operating systems causing an inability to manage the funds in all aspects creating reputational issues and potential losses to clients, e.g. if trade instructions can't be processed efficiently or if sensitive data is compromised.

Outsourcing risk, which is the risk of loss or reputational damage as a result of service failure on the part of an outsourced service provider. All of LGMI's IT system and support and outsourced services are provided through other BMO Financial Group companies.

Risk of loss from inadequate or failed internal processes. LGMI seeks to avoid risks from operational processes and technology through the continued development of a robust infrastructure and adherence to documented processes and controls. The effectiveness of internal controls is reviewed by internal and external audit.

Regulatory risk is the risk of a breach of regulatory requirements leading to financial or other sanctions from a regulator with associated public scrutiny and impact on reputation. LGMI manages this risk through a rigorous programme of compliance training and monitoring. There are a number of key policies in place and all staff are required to complete annual computer based training. The compliance department conducts a risk based monitoring programme to ensure policies and standards are adhered to.

Legal risk can arise from various areas including geopolitical risk and litigation by third parties. Legal, human resources and compliance functions aim to mitigate this risk through LGMI's contracts and agreements together with appropriate insurance policies as placed by BMO.

Fraud or the risk of loss from financial crime. LGMI seeks to minimise the opportunity for fraud and financial crime through rigorous enforcement of segregation of duties and other controls. LGMI promotes staff awareness through regular training with regards to relevant policies, regulations and industry themes as provided by the BMO Financial Group.

**Strategic/Business Risks**

Investment performance risk is the risk that the performance of the funds due to markets or the actions of the fund manager is significantly below investors' expectations and leads to them redeeming from the funds causing a fall in AUM. The investment philosophy of LGMI makes it clear that strategies are about long term investing and significant effort is made to inform the institutional client base so they understand the inherent short term fluctuations in performance and the longer term philosophy.

Key client dependency risk. This is the risk created by having a few large clients providing a significant proportion of fees. This risk is mitigated by the limited number of clients which allows a high level of client service and interaction, which enables a high quality of discourse such that clients can be briefed and supported through periods of volatility. This helps to ensure short term concerns don't impinge on their ability to make informed investment decisions aligned with their best interests.

## E. Remuneration Code

### Decision making process for remuneration policy

The Human Resources Committee ("HR Committee"), on behalf of the BMO Group Board of Directors, establishes and oversees human resources strategies, including compensation and talent management, which support the Bank's vision to be the bank that defines great customer experience. We aim to deliver top-tier total shareholder return as we balance our commitments to our customers and employees, the environment and the communities where we live and work. Our vision and brand inspire what we do every day. The HR Committee's oversight responsibilities include LGMI.

The HR Committee met seven times during 2021.The HR Committee's mandate is contained in the HR Committee's charter at. https://www.bmo.com/corporate-governance/files/en/hrc-charter-en.pdf.

The members of the HR Committee are Lorraine Mitchelmore (Chair), George A. Cope (Chairman of the Bank Board), Christine A. Edwards, Sophie Brochu and Eric R. La Flèche. All the directors are independent.

## a. External consultants

The HR Committee works with an outside advisor to help it carry out its mandate. The HR Committee has retained Pay Governance LLC as its advisor on compensation issues. Pay Governance is an independent and unaffiliated executive compensation advisory firm that works exclusively under the direction of the HR Committee and does not do any work for management.

The Bank also retained Global Governance Advisors ("GGA") to complete an extensive, periodic independent review of BMO's material compensation plans, which includes the Executive Compensation, BMO Capital Markets and Global Asset Management incentive plans, to ensure the soundness of the Bank's compensation policies and decision-making processes. GGA's review included:

i. assessing compensation design;

ii. assessing plan changes against the Financial Stability Board's ("FSB"') Principles, the UK Financial Conduct Authority Remuneration Code and the applicable regulatory requirements; and

iii. performing stress testing and back-testing, pay out curve analysis, extensive scenario analysis, and volatility analysis of the Bank's corporate and business unit results.

GGA reported that BMO continues to align with FSB principles and requirements from the Government of Canada's Office of the Superintendent of Financial Institutions, the U.S. Federal Reserve and the UK Financial Conduct Authority's Remuneration Code.

In addition to the external consultants, the HR Committee has a formal process for overseeing risks associated with the Bank's compensation policies and practices. Key to risk oversight is the Enterprise Compensation Oversight Committee, which is comprised of the Bank's Chief Risk Officer, Chief Financial Officer, Chief Compliance Officer, General Counsel and senior leaders from Human Resources, along with the Bank's Chief Auditor as an observer. The Compensation Oversight Committee met five times throughout 2021. At a minimum it will meet before every relevant meeting of the HR Committee, and it is actively involved in the annual compensation decision-making process and providing advice to the HR Committee on material compensation plans including plans applicable to the employees of LGMI. No individual is involved in decisions relating to his or her own compensation. There are also management oversight committees in the U.S. and the UK to govern the variable pay design and compensation decision-making processes in these jurisdictions.

## b. Role of the relevant stakeholders

The HR Committee fully considers the Bank's strategic priorities in setting compensation policy and it is mindful of its duties to shareholders and other stakeholders.

The HR Committee oversees the Bank's compensation plans making sure they align pay with performance, operate within the Bank's risk appetite, helps the Bank achieve its goals and are in the best interest of shareholders, while not encouraging excessive or inappropriate risk-taking.

The LGMI Board of Directors undertakes annual reviews of the implementation of their compensation policies to ensure that they comply with the UK Financial Conduct Authority Remuneration Code.

## c. Code Staff Criteria

BMO incorporates the BIPRU Remuneration Code (SYSC 19C.3.4) on its identification framework to identify Code Staff whose professional activities have a material impact on the risk profile of the firm. The criterion comprises the following categories:

- Senior management
- Risk-takers
- Staff engaged in control functions

- Any employee receiving total compensation that takes them into the same compensation bracket as senior management and risk-takers, whose professional activities have a material impact of the firm's risk profile.

## Design and structure of compensation and link to performance for Code Staff

The BMO Group approach to compensation is based on a "pay for performance" philosophy. The practices are designed to effectively balance the core compensation principles:

- Link compensation to BMO Group performance: Remuneration design and implementation, as implemented by the Company, aligns with BMO's strategic priorities and Purpose and links to both BMO Group and operating group performance;
- Attract and retain talent: Compensation helps attract and retain talented people and motivates them to excel to achieve objectives;
- Align with prudent risk-taking: Compensation structures do not encourage excessive risk-taking and rewards appropriate use of capital; Senior management and material risk taking employees' variable pay can be clawed back or forfeited and a significant portion is deferred;
- Encourage a long-term view to increase shareholder value: A significant portion of variable pay for senior management and material risk taking employees is allocated to mid and long-term incentives, which are equity-based and deferred.

The alignment of compensation with risk is an important consideration in compensation plans. For this reason, mechanisms in compensation design are included to ensure risk is appropriately considered before incentive pools are finalised.

These mechanisms include:

- Using risk performance metrics when determining funding for variable compensation;
- Establishing the incentive pool based on our performance against strategic objectives and annual financial goals which reflect provisions for credit, market liquidity and other risks;
- Depending on role and function, a significant portion of variable compensation is equity-based and there may be share ownership requirements, and
- Having leadership, management bodies and professionals in human resources, risk, compliance, and finance review variable incentive pools throughout the year and before finalising them.

Direct compensation is a combination of fixed pay elements and performance-related pay elements (short-term, mid-term and long-term incentives). The performance-related pay is designed to reward the achievement of overall Bank, line of business and individual performance targets while managing risk.

i) LGMI

LGMI Code Staff are eligible to participate in the Global Asset Management incentive-based compensation plan, which has two components: 1) upfront compensation, and 2) deferred compensation.

The incentive plan funding is based on actual GAM business performance and is subject to adjustments for Total Bank performance, and risk management considerations.

Individual award allocations are based on achieving business and individual performance goals that are designed to reinforce the Bank and operating group's strategic priorities and values, qualitative measures used to assess how results were achieved, and adherence to risk management, compliance requirements and to the BMO Code of Conduct. All Code Staff are eligible to participate in deferred compensation. A significant proportion of the total incentive award may be deferred over a period of three years under the mid-term equity incentive plan and/or mid-term cash plan based on the employee's level of total variable compensation.

The mid-term equity incentive plan is designed to promote a greater alignment of interest between employees and shareholders of BMO and to risk over the medium to long-term. Payout is based on the performance on the Bank's common shares.

ii) Control Functions

Compensation for Code Staff in control functions is tied to overall Bank performance and performance against individual goals.

These employees do not report into the businesses they support, nor does the success or final performance of business areas they support or monitor directly impact the assessment of their performance or compensation. This independence mitigates risk and encourages these employees to maintain their focus on the Bank's overall success.

Code Staff in control functions are eligible to participate in the incentive-based compensation plan which has two components: 1) upfront compensation, and 2) deferred compensation, both equally split in cash and share-linked awards. Funding of the upfront compensation incentive pool is based on BMO's performance against strategic objectives and annual financial goals. Funding also takes into account a risk review.

Individual award allocations are based on achieving individual performance goals that are designed to reinforce the Bank and their operating group's strategic priorities and values, qualitative measures used to assess how results were achieved, and adherence to risk management, compliance requirements and to the BMO Code of Conduct.

Up to 60% of an employee's incentive award is deferred over a period of between three and seven years. Share-linked awards are designed to promote a greater alignment of interest between employees and shareholders of the Bank.

iii) Clawback and forfeitures

Clawback and forfeiture policies have been adopted in the Bank's compensation programs to help mitigate current and future risks.

For all Code Staff mid and long-term incentive plan participants, the HR Committee may, in its sole discretion, reduce or forfeit unvested deferred incentive awards or clawback all or a portion of variable compensation paid, depending on the severity of a risk event's impact to Bank, operating group or line of business financial performance or reputation, and individual accountability. For all Code Staff the HR Committee further maintains the discretion to seek recoupment of awards paid over a period of three years preceding the date upon which the Committee makes its determination that an event of financial restatement, or misconduct or negligence in the management of risk which contributed or could have contributed to significant financial or reputational harm to the bank, has occurred. The HR evaluates risk events (such as, audit findings, credit losses, financial losses and key indicators of operational, market compliance, poor conduct behaviours and reputational risk) when determining whether to use its discretion to reduce or recoup pay-outs from the awarded compensation.

## Remuneration Tables for Code Staff

The following tables show the remuneration awards made in respect of the 2021 performance year. The disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standard and the EBA Guidelines on sound remuneration policies to the extent applicable to the 2021 performance year.

| **Remuneration for the financial year [1,2]** | | |
|---|---|---|
| | Senior management | Other Code Staff |
| Number of individuals | 6 | 9 |
| Fixed remuneration (€) | 578,620 | 290,976 |
| Variable remuneration (€) | 1,610,654 | 364,416 |
| Total remuneration (€) | 2,189,274 | 655,391 |

1. "Senior management" means members of the Board (executive Directors and non-executive Directors) in accordance with Article 3(9) of CRD IV. "Other Code Staff" includes all other identified Code staff in business areas, internal control functions and corporate functions.

2. The table is prepared in Euros in accordance with Article 450 of the Capital Requirements Regulation. Data has been converted into Euros using the rates published by the European Commission for financial programming and budget for December of the reported year.