LGM INVESTMENTS LIMITED
ANNUAL REPORT

For the year ended 31st October 2019

Registered Number 3029249

SATURDAY

A8YUGWYO
A25 15/02/2020 #37
COMPANIES HOUSE

LGM Investments

BMO Global Asset Management

BMO | A part of BMO Financial Group

Annual Report

Contents *Page*

LGM INVESTMENTS LIMITED STRATEGIC REPORT

Business review and principal activities

LGM Investments Limited's (the "Company" or "LGMIL") principal activity is that of professional investment management. The Company is authorised by the Financial Conduct Authority ("FCA") to conduct Investment Advisory services.

LGMIL provides specialist investment management and advice with a primary focus on Frontier and Global Emerging Market equity mandates for institutional clients. The Company's overriding objective is to deliver world-class investment management expertise to clients across Europe, North America, Asia Pacific and the Middle East, including pension funds, endowments, and sub advisory mandates. LGMIL is part of a wider group branded under LGM Investments ("LGM" or "LGM Group").

The immediate parent company of LGMIL is LGM (Bermuda) Limited, a company incorporated in Bermuda, and the ultimate parent company of LGMIL is the Bank of Montreal ("BMO"), a public company incorporated in Canada.

Review of business and future developments

LGMIL ended the year with Assets Under Management ("AUM") of £3.6 billion versus £3.3 billion at the beginning of the year including AUM managed in conjunction with BMO Global Asset Management (EMEA) ("BMO GAM EMEA"). The AUM managed in conjunction with BMO GAM EMEA represented £1.3 billion and has been included as part of the LGMIL reporting from 1st November 2018. Revenue from net fees remained flat year on year (2018: growth over 20%) at £15.9 million and net income before tax grew nearly 40% to £5.4 million (2018. 30%).

The flat revenue line year over year hides a very important growth in the management fee of LGMIL Last year LGMIL crystallised a significant performance fee which did not occur again in this year. Management fees before additional revenue from BMO GAM EMEA remained flat, which was a great result given the tough headwinds facing emerging markets including the US-China trade dispute.

The second highlight of the financial year is the very significant growth in the net profit margin of LGMIL from 20% last year to 27% this year. Such margin provides LGMIL with a great starting point to continue its journey for the profitable growth it has been on for the last few years, a journey that has been possible due to a clearly defined investment process and consistent performance in most LGMIL strategies.

The solid financial foundation of LGMIL also allows for good execution of the upcoming senior changes to the company where Thomas Vester, after more than 8 years, moves from a role of CIO and Portfolio Manager to Strategic Advisor and Director. The senior team at LGMIL led under Ravi Sriskandarajah is excited for the opportunity ahead and to continue the journey of profitable growth.

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

	2019	2018
Assets under management at 31st October £billion	**3.6**	2.0
Net fee revenue '000s	**15,880**	15,900
Profits before tax '000s	**5,358**	3,910
Return on capital employed %	**28%**	26%

Note the AUM number for 2018 did not include AUM managed in conjunction with BMO GAM EMEA. For the purposes of comparison this figure would be £3 3 billion.

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 (2018: 14).

Principal risks and uncertainties

The Company faces a number of risks and uncertainties in implementing the Board's strategic plan. These include, market risk, credit risk, operational risk, liquidity risk and capital adequacy risk. The Board believes that these risks and uncertainties are satisfactorily mitigated through the comprehensive systems of controls and senior management oversight that have been implemented through the business. The principal risks and uncertainties by the business are discussed in more detail in Note 4 to the accounts.

Exit of the UK from the EU

Key Risk

Following the notice issued by the United Kingdom on 29 March 2017 of its decision to leave the European Union (Brexit), the commitment of the BMO Financial Group to its customers in the UK and the broader EU remains unchanged. Work has been undertaken to position BMO Financial Group's business in a post-Brexit Europe. The key priority has been to make sure BMO Financial Group's European business platform provides sufficient optionality to enable it to continue doing business effectively in Europe, whilst enabling London to remain a focal hub. The actions taken and to be taken will enable the BMO Financial Group to effectively steer its European business through the transition Brexit requires and so continue serving its clients in Europe.

The Board has considered the nature and extent of risks, uncertainties and opportunities arising from the result of the UK's decision to leave the EU and the impact on the future performance and position of the Group's European business.

The Board considers the principal risks and uncertainties arising from the above to be in the following areas:

- Macroeconomic uncertainty or downturn in the UK economy and in the economies of its close trading partners such as Ireland or the Netherlands;
- Loss of passport rights to the EU single market, currently used to offer and provide services and products to the Company's EU client base;
- Loss of passport rights for any EU domiciled fund offered into the UK; and
- Adverse impact on its employees, strategy, performance and operations.

Mitigation

BMO Financial Group has run a Brexit Steering Group and various Working Groups comprising of senior management representatives to monitor developments as the Brexit landscape evolves and make sure effective contingency planning occurs for all potential implications of its business lines including asset management Planning has always assumed the need to operate without disruption if the UK leaves the EU in a "no deal" Brexit scenario. The Board has been kept regularly updated on all key developments and approved any recommendations put forward on how to restructure the Company's business to ensure it can deal effectively with the challenges Brexit raises.

The Company currently acts as investment manager for an Irish UCITS open ended investment company (the "Fund"), which is self-managed by its own separate independent board of directors. The Company anticipates that the Fund will be able to continue to delegate portfolio management to it, something that will be permitted even in the event of a "no deal" Brexit scenario given the necessary co-operation arrangements are in place between the Irish and UK regulators. In addition, applications have been made under the FCA's Temporary Permissions Regime to enable the Company to continue offering the Fund to UK investors.

The Company will utilise arrangements being made by BMO GAM EMEA to enable continued operation in post-Brexit environment without disruption. BMO GAM EMEA has a long standing and substantive business in the Netherlands, with an established regulatory presence and relationship (including certain EU passport permissions), a stable workforce, a developed business infrastructure and a local institutional client base. These factors, together with a range of other considerations, mean it has now taken all necessary steps to ensure the appropriate operating model, additional regulatory permissions, connectivity, systems and people are in place prior to Brexit. These steps will enable its Dutch business to operate as its European hub and offer products and services, including those of the Company, to EU clients. BMO GAM EMEA anticipates that its Dutch business will continue to delegate portfolio management to UK regulated entities such as the Company in a post-Brexit environment.

By order of the Board,

Katherine Lam, Company Secretary
6th February 2020

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 2019.

Results and dividends

The profit for the year after taxation amounted to £4,347,498 (2018: £3,124,246). The Directors do not recommend the payment of a dividend (2018: £nil).

Directors

The Directors of the Company who held office during the year and subsequent to the year ended 31st October 2019 were as follows:

Gilles Ouellette (Chair) – appointed 19th September 2019
Barry Cooper (Chair) – retired 13th June 2019
Scott Matthews – resigned 13th June 2019
William Smith – resigned 13th June 2019
Thomas Vester
Richard Wilson – retired 9th May 2019
David Logan
Joan Mohammed – resigned 9th May 2019
Kristi Mitchem – appointed 22nd May 2019
Ravi Sriskandarajah – appointed 20th December 2019
Rishikesh Patel – appointed 17th December 2019

Liability Insurance

During the year BMO maintained liability insurance for the Directors and Officers of the Company.

Political and charitable contributions

The Company made no political contributions or charitable donations during the year (2018: £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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue to act as auditor.

LGM INVESTMENTS LIMITED DIRECTORS' REPORT (CONTINUED)

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, 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 Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") 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 year. In preparing the Company 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 IFRS as adopted by the EU;
- 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 its 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
Rishikesh Patel

Director
David Logan

95 Wigmore Street
London W1U 1FD
Date: 6th February 2020

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 ("the company") for the year ended 31st October 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 6, 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.

Satish Iyer

Satish Iyer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
6th February 2020

LGM INVESTMENTS LIMITED

Statement of Comprehensive Income

Expressed in GBP

For the Years ended 31st October

	Note	2019	2018
Interest income	5	**95,569**	60,350
Net interest income		**95,569**	60,350
Fees and commission income	6	**17,252,912**	17,285,678
Fees and commission expense	6	**(1,373,356)**	(1,385,526)
Net Fees and commission income		**15,879,556**	15,900,152
Net trading income / (loss)	7	**376,696**	(354,296)
Gain on closure of subsidiary		**-**	74,781
Total income		**16,351,821**	15,680,987
Employee compensation and benefits	8	**(7,772,881)**	(8,340,646)
Other operating expenses	10	**(3,220,528)**	(3,430,798)
Total operating expenses		**(10,993,409)**	(11,771,444)
Net Profit before tax		**5,358,412**	3,909,543
Income tax expense	11	**(1,010,914)**	(785,297)
Net Profit after tax		**4,347,498**	3,124,246

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 13 to 28 form an integral part of these financial statements.

LGM INVESTMENTS LIMITED

Statement of Financial Position

Expressed in GBP

As at 31st October

	Note	2019	2018
Assets			
Cash and cash equivalents		**7,021,347**	5,902,815
Securities	12	**2,547,881**	2,194,683
Total cash and securities		**9,569,228**	8,097,498
Due from banks and similar financial institutions	13	**14,143,287**	12,558,607
Other assets	16	**3,504,732**	2,864,051
Deferred tax assets	14	**477,928**	495,250
Premises and equipment	15	**40,846**	12,077
Total Assets		**27,736,021**	24,027,483
Liabilities and Shareholder's Equity			
Liabilities			
Other liabilities	17	**8,444,137**	9,083,097
Total Liabilities		**8,444,137**	9,083,097
Shareholder's Equity			
Share capital	18	**17,500,000**	17,500,000
Retained earnings / (loss)		**1,791,884**	(2,555,614)
Total Shareholder's equity		**19,291,884**	14,944,386
Total Liabilities and Shareholder's Equity		**27,736,021**	24,027,483

The financial statements were approved by the Board of Directors on 6th February 2020 and signed on its behalf by

Director
Rishikesh Patel

Director
David Logan

Registered Company Number: 3029249

The notes on pages 13 to 28 form an integral part of these financial statements.

LGM INVESTMENTS LIMITED

Statement of Changes in Equity

Expressed in GBP

For the Years ended 31st October

	Share capital	Retained earnings / (loss)	Total equity
Balance at 31st October 2017	17,500,000	(5,679,860)	11,820,140
Net profit attributable to the owners of the parent company	-	3,124,246	3,124,246
Balance at 31st October 2018	17,500,000	(2,555,614)	14,944,386
Net profit attributable to the owners of the parent company	-	4,347,498	4,347,498
Balance at 31st October 2019	**17,500,000**	**1,791,884**	**19,291,884**

The notes on pages 13 to 28 form an integral part of these financial statements.

LGM INVESTMENTS LIMITED

Statement of Cash Flow

Expressed in GBP

For the Years ended 31st October

	2019	2018
Net profit after tax for the year	**4,347,498**	3,124,246
Adjustments for:		
Depreciation	**10,356**	32,333
Gain on closure of subsidiary	-	(74,781)
Decrease/(increase) in deferred tax	**17,322**	(55,628)
Increase in securities	**(353,198)**	(1,366,598)
(Increase)/decrease in other assets	**(640,681)**	897,195
(Decrease)/increase in other liabilities	**(638,960)**	3,031,871
Net cash provided by operating activities	**2,742,337**	5,588,638
Cash flows from investing activities		
Closure of subsidiary	-	375,910
Acquisition of tangible fixed assets	**(39,125)**	-
Net cash (used in) / provided by investing activities	**(39,125)**	375,910
Net increase in cash, cash equivalents and due from banks	**2,703,212**	5,964,548
Cash, cash equivalents and due from banks 1st November	**18,461,422**	12,496,874
Cash, cash equivalents and due from banks 31st October	**21,164,634**	18,461,422
Interest received	**95,569**	60,350

The notes on pages 13 to 28 form an integral part of these financial statements.

1) 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

a) 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

b) The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") as adopted by the EU and interpretations issued by the IFRS Interpretations Committee of the IASB. The financial statements have been prepared in accordance with all current IFRS issued and in effect as at 31st October 2019. The Company is incorporated in the UK and its financial statements are presented in compliance with the Companies Act 2006.

c) The Company financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Securities are measured at fair value

d) 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.

e) The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2) Significant accounting policies

In preparing the Company's financial statements management is required to make estimates and assumptions. The most significant assets and liabilities for which estimates must be made include financial instruments measured at fair value, pension and other employee future benefits, provisions and the recognition of deferred income tax. If actual results differ from the estimates, the impact would be recorded in future years.

The Company has established detailed policies and control procedures that are intended to ensure these judgments are well controlled, independently reviewed and consistently applied from period to period. Management believe that the estimates of the value of the assets and liabilities are appropriate.

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) Fees and commissions

Fees and commission income and expenses, including investment management fees and advisory fees are recognised as the related services are performed. Performance fees are recognised at the point of crystallising when the criteria for payment of the fee are met.

d) 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.

e) Dividends

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

f) Lease payments

Payments under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

g) 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 difference can be utilised.

h) Financial instruments - recognition and measurement

Securities

The Company holds only Securities at 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 their fair value through profit and loss by mark-to-market adjustments, transaction costs and any gains or losses on the sale of these in the Statement of Income in net trading income / (loss).

Control is determined in accordance with IFRS 10, based on an assessment of the level of power and aggregate economic interest that the Company has over the fund, relative to third-party investors. Power is normally conveyed to the Company through the existence of an investment management agreement and/or other contractual arrangements. Aggregate economic interest is a measure of the Company's exposure to variable returns in the fund through a combination of direct interest, carried interest, expected management fees, fair value gains or losses, and distributions receivable from the fund.

The Company concludes that the power it has over the fund is deemed to be exercised for the benefit of third-party investors and they can be removed from acting as the fund manager, without cause. As a result, the Company concludes that it is an agent for third party investors and, therefore, recognises its interests in the fund as a financial asset

i) 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.

j) Cash

Cash 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.

k) 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.

l) 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.

m) IFRS 15 transition

Effective 1st November 2018 the Company adopted IFRS 15, *Revenue from Contracts* with Customers ("IFRS 15"). The Company elected to retrospectively present prior periods as if IFRS 15 had always been applied. The standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, providing a principles-based approach for revenue recognition, and introducing the concept of recognising revenue for performance obligations as they are satisfied. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with clients.

The Company did not identify any changes as a result of the transition to IFRS 15 and did not restate prior periods. There was no material impact as a result of the adoption of IFRS 15.

3) Future changes in accounting policies

Management is currently assessing the impact of adopting the following standards on the Company's financial statements.

a) Leases

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which provides guidance whereby lessees will recognise a liability for the present value of future lease payments and record a corresponding asset on the balance sheet for most leases.

The Company holds no leases directly and so there will be no material impact to its financial results.

b) Conceptual Framework

In March 2018, the IASB issued the revised *Conceptual Framework* ("Framework"), which sets out the fundamental concepts for financial reporting to ensure consistency in standard-setting decisions and that similar transactions are treated in a similar way, so as to provide useful information to users of financial statements. The revised Framework will inform future standard-setting decisions but does not impact existing IFRS. The revised Framework is effective for the Company's fiscal year beginning on 1st November 2020. The Company does not expect the Framework to have a significant impact on our accounting policies.

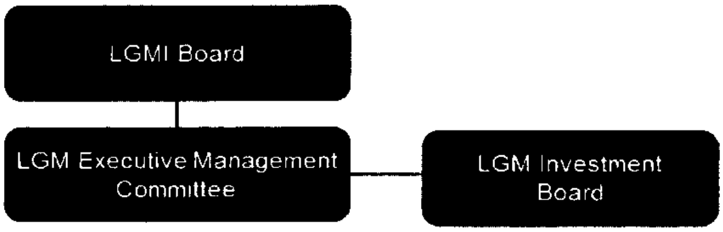
4) Financial and other risk management

The Company is 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, BMO has its own Board approved policies for credit, operational, liquidity, market risk and capital management all of which have been approved by the BMO Board. Furthermore the underlying subsidiaries have their own Board approved policies where required by BMO.

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

Core LGM structure

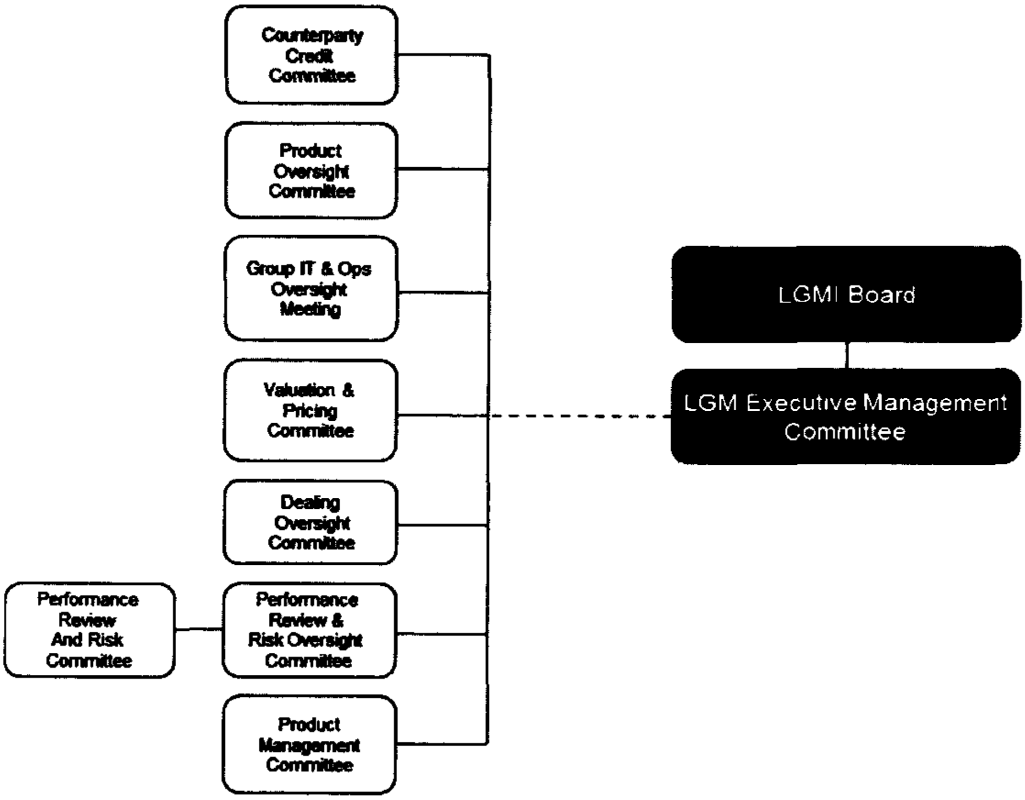


- **The Board of LGMIL** meets formally on a quarterly basis and is responsible for setting risk appetite for and approving LGMIL's objectives and policies. The Board focuses mainly on strategy, investment and financial performance, the control environment and executive management and Board succession. The Board is ultimately accountable to its shareholder for the overall performance of LGMIL. 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 LGMIL issues that impact LGMIL are reported through to the Board. The Executive Committee membership comprises three Directors and three 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 for review and challenge.

Support Committees and Management meetings

BMO GAM EMEA has a series of Committees and Management meetings which include oversight of LGMIL. 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 LGMIL. Such output is reviewed at the LGM EMC and any issues of note are in turn escalated to the Board as necessary.

BMO GAM EMEA Committees and Management Meetings



- **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.
- **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.
- **Performance Review and Risk Committee** is responsible for performance and investment risk oversight of LGM mandates. Any issues are escalated to the PRROC.
- **Product Oversight Committee** meets on a monthly basis and is responsible for the oversight and coordination of the product development and delivery process. This includes ensuring Treating Customers Fairly principles are properly considered as part of the product development process, ensuring the product suite is in line with group strategy and reviewing existing products to ensure they remain competitive, comply with investment guidelines and continue to meet the needs of clients.
- **Group IT & Operations Oversight Meeting** is held on a monthly basis and is responsible for overseeing the operational areas of the Business and to review, assess and seek to enhance the effectiveness of the operational capabilities (including any outsource providers) and the Group's control environment. Meeting minutes are included in materials for the Global Operations and IT Committee.
- **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.
- **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 that the Company's solvency while optimising the return or risk. LGMIL is exposed to market risk through its investment in seed funds. A 10 per cent decline in the market value of the seed funds will cause a £254,788 charge to the Statement of Comprehensive Income (2018. £219,468).

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:

	2019	2018
United States dollars	4,504,223	2,922,698
Canadian dollars	507,251	496,766
Euro	106,287	225,838
Net foreign currency assets	5,117,761	3,645,302

As at 31st October 2019, 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 2018.

	2019	2018
United States dollars	450,422	292,270
Canadian dollars	50,725	49,677
Euro	10,629	22,584
Net P&L gain	511,776	364,531

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 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. Whenever there is 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 securities investments at fair value as 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	**2019**	2018
Management fees	17,239,617	14,558,461
Performance fees	13,295	2,727,217
Total fee and commission income	17,252,912	17,285,678
Including related party income from:		
Other Bank of Montreal subsidiaries	7,111,879	3,228,292
	7,111,879	3,228,292
Fee and commission expense		
Rebates & revenue share to related parties	1,373,356	1,385,526
Total fee and commission expense	1,373,356	1,385,526

The Company has one operating segment which is investment management services.

Fee and commission expenses represents rebates paid directly to parties incurring management fees and advisory fees payable to other BMO Financial Group companies.

7) Net Trading income/(loss)

Securities	**2019**	2018
Unrealised gains on seed capital	376,696	-
Unrealised losses on seed capital	-	(354,296)
Total net trading income/(loss)	376,696	(354,296)

8) Employee compensation and benefits

The aggregate remuneration of all staff comprised:

	2019	2018
Wages and salaries including commissions and bonus	6,765,686	7,166,461
Social security Costs	842,880	998,529
Defined contribution pension costs	164,315	175,656
Total employee compensation and benefits	7,772,881	8,340,646
Included related party incurred expenses.		
Subsidiaries of BMO Global Asset Management (Europe) Ltd	709,885	-
	709,885	-

The highest paid Director's emoluments during the year ended 31st October 2019 was £2,722,396 (2018: £3,245,719). The total amount paid as contribution to the defined contribution pension scheme for the highest paid Director was £31,373 (2018: £33,000). The total number of Directors for whom the Company paid in contributions into a defined contribution pension scheme was 1 (2018: 1)

Notes to the Financial Statements, expressed in GBP

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 £164,315 (2018: £175,656).

10) Other operating expenses

	2019	2018
Audit fee payable for the audit of these financial statements	22,000	22,000
Fees payable to the Company's auditor in respect of other services	8,500	7,000
Amortisation and depreciation	10,356	32,333
Occupancy	651,988	584,483
Communications / Information Services	963,001	883,843
Other expenses	1,564,683	1,901,139
	3,220,528	3,430,798
Included related party incurred expenses:		
Bank of Montreal, London Branch	306,891	399,331
Subsidiaries of BMO Global Asset Management (Europe) Ltd	1,318,308	1,485,364
	1,625,199	1,884,695

11) Income tax expense

	2019	2018
Current tax:		
United Kingdom		
UK corporation tax on income for the year	994,648	840,925
Adjustment in respect of prior years	(1,056)	73,072
Utilisation of losses not previously recognised	-	(73,072)
Total current tax charge	993,592	840,925
Deferred Tax:		
Deferred tax credit on temporary differences	22,420	(96,658)
Change in tax rates	-	28,577
Adjustment in respect of prior years	(5,098)	12,453
Total tax charge for the year	1,010,914	785,297
Profits before taxation	5,358,412	3,909,543
Total tax charge	1,010,914	785,297
Effective tax rate	18.87%	20.09%

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

Notes to the Financial Statements, expressed in GBP

Income tax expense - continued

	2019	2018
Profit on ordinary activities before tax	5,358,412	3,909,543
Tax charge at standard rate of UK corporation tax of 19% (2018: 19%)	1,018,098	742,813
Effects of:		
Expenses not deductible for tax purposes	1,958	924
Change in tax rates	-	28,577
Utilisation of losses not previously recognised	-	(73,072)
Adjustments in respect of prior periods	(9,142)	86,055
Total tax charge for the year	1,010,914	785,297

12) Securities

The Company has securities measured at FVTPL.

	2019	2018
Classification of securities		
Securities - Investments in UCITS sub-funds - FVTPL	2,547,881	2,194,683
	2,547,881	2,194,683

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 "Undertakings for Collective Investments in Transferable Securities" ("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 Greater India Fund	USD	Ireland	79%
BMO LGM Asian Growth and Income Fund	USD	Ireland	94%

The primary purpose of both 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. Both funds are invested in equities on listed markets as set out in the fund prospectus.

There were no new investments or redemptions during the year (2018: Nil).

13) Due from banks and similar financial institutions

	2019	2018
One month or less	8,037,787	529
Three to six months	6,105,500	12,558,078
	14,143,287	12,558,607
Including amounts due from related parties		
Bank of Montreal, Ireland	8,037,787	6,500,529
	8,037,787	6,500,529

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.

Notes to the Financial Statements, expressed in GBP

14) Deferred Tax

	2019	2018
The deferred tax asset arises from:		
Deferred capital allowances	24,148	19,865
Other temporary differences	453,780	475,385
Deferred tax asset	477,928	495,250
Reconciliation of deferred tax assets:		
At beginning of year	495,250	439,622
Temporary differences	(22,420)	96,658
Change in tax rates	-	(28,577)
Adjustment in respect of prior years	5,098	(12,453)
At year end	477,928	495,250
Corporation tax creditor	1,834,517	840,925

The deferred tax asset relates predominantly to liabilities on deferred share scheme awards and differences between the net book value of fixed assets and their tax written down values. The Finance Act 2015 contains provisions to reduce the main rate of UK corporation tax to 19% from 1st April 2017 and 17% from 1st April 2020. The deferred tax asset has been stated the rate at which the temporary differences are predominantly expected to reverse.

15) Premises and equipment

	Fixtures & Fittings	**Computer & software**	**Leasehold Improvements**	**Total**
Cost				
At 1st November 2017	21,006	126,929	2,387	150,322
At 31st October 2018	21,006	126,929	2,387	150,322
Additions	-	39,125	-	39,125
At 31st October 2019	**21,006**	**166,054**	**2,387**	**189,447**
Depreciation				
At 1st November 2017	10,091	94,567	1,254	105,912
Charge for the year	4,678	27,169	486	32,333
At 31st October 2018	14,769	121,736	1,740	138,245
Charge for the year	4,678	5,193	485	10,356
At 31st October 2019	**19,447**	**126,929**	**2,225**	**148,601**
Net Book Value				
At 1st November 2017	10,915	32,362	1,133	44,410
At 31st October 2018	6,237	5,193	647	12,077
At 31st October 2019	**1,559**	**39,125**	**162**	**40,846**

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. There were no write-down of premises and equipment due to impairment during the year ended 31st October 2019 and 2018.

Notes to the Financial Statements, expressed in GBP

16) Other assets

	2019	2018
Trade debtors and accrued income	3,183,782	2,450,858
Prepayments	40,512	43,140
Other debtors	280,438	370,053
	3,504,732	2,864,051
Including amounts due from related parties.		
Subsidiaries of BMO Global Asset Management (Europe) Ltd	1,045,497	114,708
Other Bank of Montreal subsidiaries	672,726	654,610
	1,718,223	769,318

17) Other liabilities

	2019	2018
Amounts falling due within one year:		
Accruals and deferred income	4,283,406	5,812,666
Corporation tax payable	1,834,517	840,925
Social security and other taxes	520,719	600,138
	6,638,642	7,253,729
Amounts falling due after one year:		
Accruals and deferred income	1,586,551	1,607,529
Social security and other taxes	218,944	221,839
	1,805,495	1,829,368
Total other liabilities	8,444,137	9,083,097
Including amounts due to related parties		
Bank of Montreal, London Branch	96,986	28,784
Subsidiaries of BMO Global Asset Management (Europe) Ltd	433,129	1,280,850
Pyrford International Ltd	13,760	128,116
Other Bank of Montreal subsidiaries	45,732	98,006
	589,607	1,535,756

18) Share Capital

	2019	2018
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 October 31st 2019 (2018: Nil). The total number of shares issued is 17,928,572 (2018: 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 Bank 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 the ultimate parent. Thus, the Bank'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 following table presents the compensation of key management personnel:

(Canadian $ in thousands)	**2019**	2018
Base salary and incentives	22,068	21,287
Post-employment benefits	2,061	2,345
Share-based payments (1)	43,204	31,063
Total key management personnel compensation	67,333	54,695

(1) Amounts included in share-based payments are the fair values of awards granted in the year.

The Bank offers its senior executives preferential interest rates on credit card balances, a fee-based subsidy on annual credit card fees, and a select suite of customer loan and mortgage products at rates normally accorded to preferred customers. At 31st October 2019 loans to key management personnel totalled $20,588 ($15,881 in 2018)

The Bank's directors receive a specified amount of their annual retainers in deferred stock units. Until a director's shareholdings (including deferred stock units) are eight times greater than their annual retainer, they are required to take 100% of their annual retainer and other fees in the form of either the Bank's common shares or deferred stock units. They may elect to receive the remainder of such retainer fees and other remuneration in cash, common shares or deferred stock units.

For LGMIL the key management personnel are considered the executive directors who are also employees of the Company. Their compensation can be found in note 8.

Notes to the Financial Statements, expressed in GBP

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.

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 and certain other securities.

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 asset and liability that are not based on observable market data (unobservable inputs).

Financial Assets at fair value as at 31st October 2019

Securities	Level 1	Level 2	Level 3	Total
FVTPL	-	2,547,881	-	2,547,881
	-	2,547,881	-	2,547,881

Financial Assets at fair value as at 31st October 2018

Securities	Level 1	Level 2	Level 3	Total
FVTPL	-	2,194,683	-	2,194,683
	-	2,194,683	-	2,194,683

There were no movements between levels during the year.

21) Ultimate holding company

The Company's ultimate parent undertaking and controlling party is Bank of Montreal, incorporated in Canada. The largest and smallest company in which the results of the Company are consolidated is that headed by BMO. The consolidated accounts of the company 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.

LGM Investments

BMO Global Asset Management

LGM Investments Limited

Pillar 3 Disclosures

As at 31st October 2019

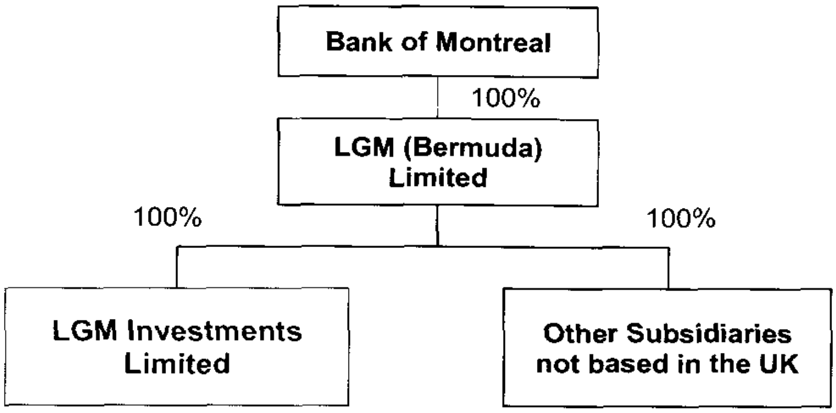
Contents

A. Introduction

LGM Investments Limited ("LGMI") is 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.

LGMI is a specialist Global Emerging Market ("GEM"), Asian and Frontier Markets equity manager and provides investment management services to primarily institutional clients in funds held separately from LGMI's own assets. 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. At the end of October 2019 LGMI managed GBP 3.6 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.

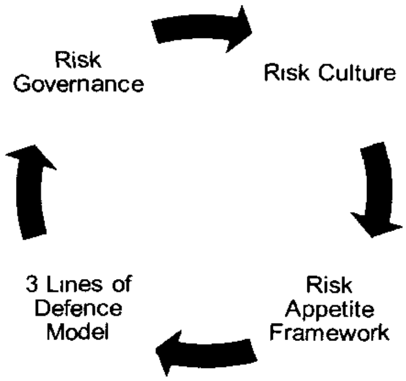
The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations. We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would not be likely to change or influence the decision of 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 is a wholly owned subsidiary of BMO, the risk management frameworks for BMO and LGMI are governed by and fall within BMO's corporate policies, standards 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;
- 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

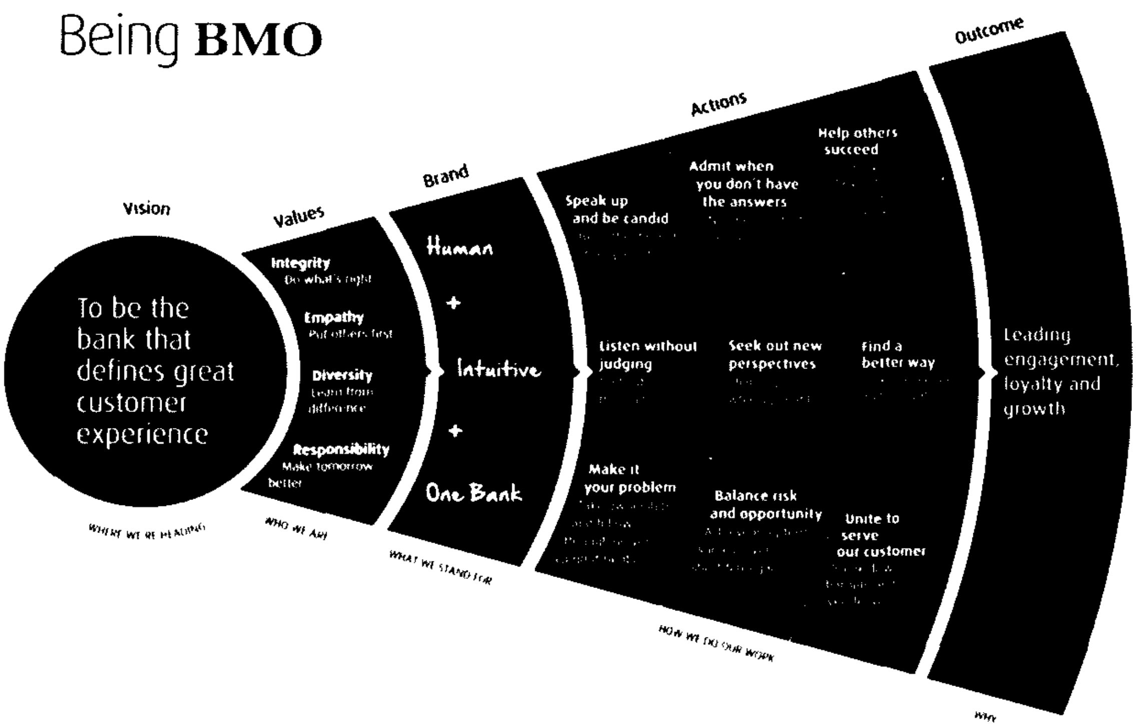
At LGMI we believe that Risk Management is every employee's responsibility. By maintaining a culture that emphasises the importance of rigorous disciplines and procedures we can safeguard the interests of our clients and other stakeholders. Our risk culture is deeply rooted within our policies, business 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.

"Being BMO" sets out BMO's vision of becoming the bank that defines great customer experience by guiding each employee to "do the right thing". The values and actions of "Being BMO" detail the conduct, and with that the culture, expected of all staff. Each year, employees complete Ethics, Legal and Compliance training and employees are encouraged to live the values and actions of "Being BMO". The same values and actions form a key part of our employee performance programme.

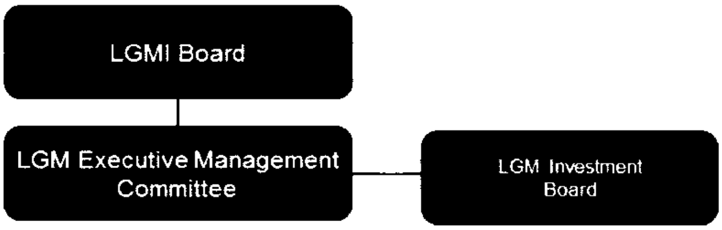


LGMI's risk culture is grounded in a "Being BMO" risk management approach that encourages openness, constructive challenge and personal accountability. Timely and transparent information sharing is key to how we engage stakeholders in material decisions and strategy discussions, thereby bringing rigour 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

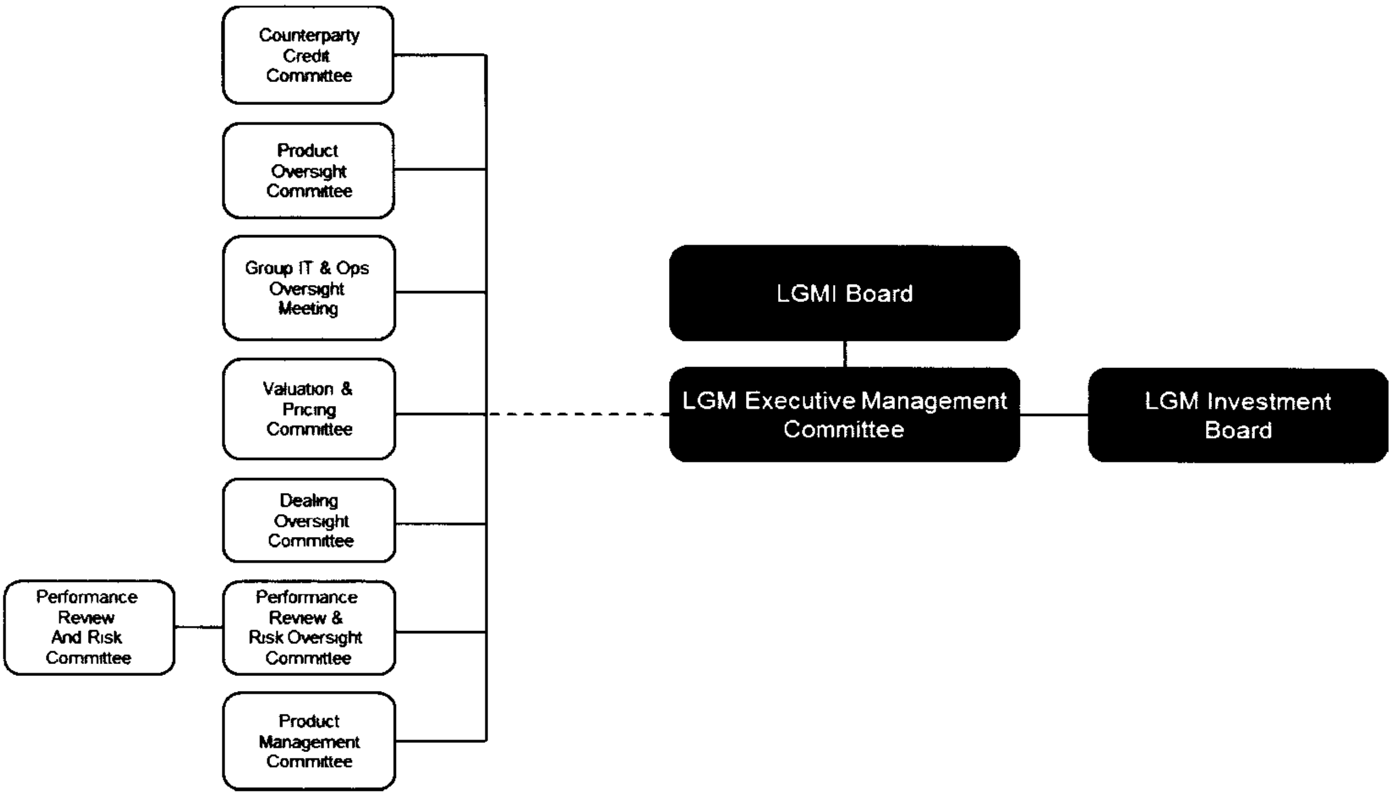
Core LGM structure



- 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 owner 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 monthly 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 three 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.
- 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.
- Performance Review and Risk Committee is responsible for performance and investment risk oversight of LGM mandates. Any issues are escalated to the PRROC.
- Product Oversight Committee meets on a monthly basis and is responsible for the oversight and coordination of the product development and delivery process. This includes ensuring Treating Customers Fairly principles are properly considered as part of the product development process, ensuring the product suite is in line with group strategy and reviewing existing products to ensure they remain competitive, comply with investment guidelines and continue to meet the needs of clients.
- Group IT & Operations Oversight Meeting is held on a monthly basis and is responsible for overseeing the operational areas of the Business and to review, assess and seek to enhance the effectiveness of the operational capabilities (including any outsource providers) and the Group's control environment Meeting minutes are included in materials for the Global Operations and IT Committee.
- 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.

- 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.

1s	2n	3r
▪ Own and promote a strong risk culture. ▪ Identify, monitor, quantify and report risks arising from their operating activities and initiatives. ▪ Establish appropriate internal control structures to manage risk and optimise return. ▪ Act within their delegated risk-taking authority as set out in established policies and standards. ▪ 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. ▪ Set risk management policies and establish infrastructure, processes and practices that identify, assess, manage and monitor all significant risks across the business. ▪ 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, Counterparty Risk and Market Data services.

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 team is responsible for assessing and challenging group wide activities that give rise to investment risk. 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.

BMO Financial Group Operational Risk

The team is responsible for the development, maintenance and operation of LGMI Operational Risk Management Framework. They provide independent oversight, effective challenge, independent assessment of risk and risk management practices within all of BMO Financial Group. Acting as a centre of excellence for all things Risk Management, they provide advice and guidance to all parts of LGMI. In addition, they also provide second line oversight of the BMO Global Asset Management Risk Function which covers LGMI.

BMO Financial Group Corporate Support 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 in excess of 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) <u>Risk Appetite Framework</u>

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 in excess of 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. 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 2019 is set out below which includes audited profits for the year to October 2019.

Tier one capital	£ '000
- Ordinary Share Capital	17,500
- Retained Earnings	1,792
Total core tier one capital	**19,292**

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.

Based on the audited figures for the year to 31st October 2019 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	918
Market Risk under the standard method	545
FOR based on Oct 19 Audited Accounts	1,848
Pillar 1 Capital	**1,848**

LGMI's Pillar 1 capital requirement is therefore the FOR.

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 tests 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

Pillar 3 remuneration disclosure for LGMI for the year ended December 31, 2019

Decision making process for remuneration policy

The Human Resources Committee ("HR Committee"), on behalf of the BMO 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 2019.The HR Committee's mandate is contained in the HR Committee's charter at http://www.bmo.com/home/about/banking/corporate-governance/board-committees/human-resources.

The members of the HR Committee are Ronald H. Farmer (Chair),George A. Cope, Christine A. Edwards, Lorraine Mitchelmore, J. Robert S. Prichard (Chairman of the Bank board), Eric R. La Flèche and Don M. Wilson III. All of 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 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 and the applicable regulatory requirements; and

iii. (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 noted that the Bank has maintained its leadership position with respect to compliance with FSB Principles and Guidance and applicable regulatory requirements.

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 six times throughout 2019. 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.

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 it complies with the FCA UK 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 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 Financial Group performance: Remuneration design and implementation, as implemented by the Company, aligns with the BMO Group strategy 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 structure does not encourage excessive risk-taking and rewards appropriate use of capital; and
- Encourage a long-term view to increase shareholder value.

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 using business results 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 maybe share ownership requirements, and
- Having leadership and professionals in human resources, risk, compliance, and finance review variable incentive pools throughout the year and before finalising.

Direct compensation is a combination of fixed pay elements and performance-related pay elements (short-term and mid-term incentives). The performance-related pay is designed to reward the achievement of Bank, 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 business 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 annual targets set on business measures aligned to the Bank's strategic priorities. 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 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, 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. The HR Committee evaluates risk events (for example, 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 pay-outs from the awarded compensation.

Remuneration Tables for Code Staff

The following tables show the remuneration awards made in respect of the 2019performance 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 2019 performance year.

Remuneration for the financial year [1,2]		
	Senior management	Other Code Staff
Number of individuals	10	6
Fixed remuneration (€)	797,546	441,174
Variable remuneration (€)	1,798,049	587,779
Total remuneration (€)	2,605,888	1,028,953

[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