

## BMO Sustainability Bond Impact Report

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America. BMO has a deep sense of purpose and a clear strategy for long-term growth. It is the eighth largest bank in North America by assets, with total assets of \$949 billion, and has an engaged and diverse base of employees. BMO provides a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services, conducting business through three operating groups: Personal and Commercial Banking, BMO Wealth Management and BMO Capital Markets. Everywhere we do business, we're focused on building, investing and transforming how we work to drive performance and continue growing the good. Our Purpose to **Boldly Grow the Good in business and life** drives everything we do and we have made bold commitments to a more sustainable future, an inclusive society and a thriving economy.

In 2019, BMO established a Sustainable Bond Program to support our Purpose and our bold commitments. This program confirms BMO's commitments to sustainability and sustainable finance, building on our ability to direct capital toward our strategic sustainability objectives and aligning those

objectives with our fundraising and investor relations program. It has enabled a better understanding and assessment of impacts and opportunities related to sustainability across our organization, and has helped build relationships that will support an enterprise-wide focus on sustainability at BMO.

Our Sustainable Financing Framework is aligned with the 2018 Green Loan Principles issued by the Loan Market Association, as well as the 2018 Green Bond Principles, 2018 Social Bond Principles and 2018 Sustainability Bond Guidelines issued by the International Capital Markets Association. This framework sets out eligibility criteria for transactions financed by green bonds, social bonds and sustainability bonds.

BMO issued its inaugural US\$500 million 3-year sustainability bond in October 2019. This report includes information on the use of the proceeds and, where feasible, the positive social and environmental outcomes of the bond, as at July 31, 2020.

### BMO Sustainability Bond Summary














Date of Issuance	October 21, 2019
Issued Amount	US\$500 million
Tenor	3 years

▲ 2020 data for this metric has been externally assured.

Sustainable Financing Framework: [https://www.bmo.com/tr/files/F19 Files/BMOSustainableFinancingFramework.pdf](https://www.bmo.com/tr/files/F19%20Files/BMOSustainableFinancingFramework.pdf)

## Use of Proceeds

An amount equivalent to the net proceeds of BMO's sustainability bond is used to finance or re-finance project finance loans, general corporate finance loans, and/or equity investments that support the achievement of the United Nations Sustainable Development Goals (SDGs) and the global transition to a lower-carbon economy. Green and social asset categories included in our first bond focused on nine of the 17 SDGs.

Asset Category	Sustainable Development Goals	Description	% of Selected Assets▲
<b>Social Asset Categories</b>			
Women-Owned Business Lending	 	Lending to small and medium-sized enterprises with at least one woman owner	49%
Indigenous Peoples' Business and Community Lending		Lending to Indigenous peoples' bands, councils, governments, or business entities majority-owned by such organizations	8%
<b>Green Asset Categories</b>			
Sustainable Land Use	  	Lending to agricultural projects that maintain or improve existing carbon pools, such as greenhouses	20%
Renewable Energy	  	Lending to renewable energy projects, such as solar and wind	11%
Green Buildings and Infrastructure	 	Lending to green buildings and infrastructure that achieve certifications such as LEED Gold, LEED Platinum	9%
Pollution Prevention and Control	 	Lending to waste management projects that prevent and control pollution, such as recycling	3%

Please refer to BMO's Sustainable Financing Framework for more detailed information on eligibility criteria.

As at July 31, 2020, 100%▲ of the bond proceeds have been allocated. If ever that is not the case, BMO will hold the excess amount in cash or liquid securities in accordance with BMO's normal liquidity management policy as specified in our Sustainable Financing Framework.

## Positive Outcomes

BMO has quantified the positive impacts of the sustainability bond's lending activities as follows:

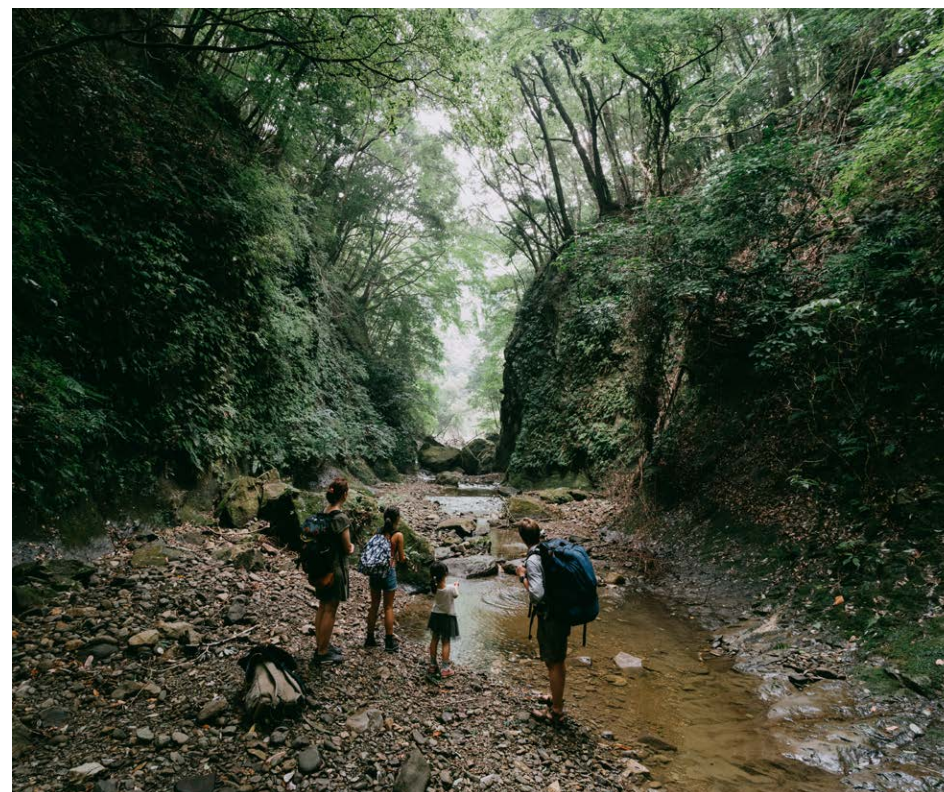
Project Category	Impact Indicator	Unit of Measure	Impact Measurement▲
<b>Social Asset Categories</b>			
Women-Owned Business Lending	Women-owned businesses financed	total #	101
	Women business owners supported	total #	115
Indigenous Peoples' Business and Community Lending	Indigenous peoples' businesses financed	total #	33
<b>Green Asset Categories</b>			
Sustainable Land Use	Greenhouse businesses financed	total #	16
Renewable Energy <sup>1</sup>	Renewable energy projects financed	total #	3
	Installed capacity	megawatts	34
	Annual GHG emissions avoided <sup>2</sup>	tonnes CO <sub>2</sub>	104,488
	Annual water conserved <sup>3</sup>	cubic metres	245,558
Green Buildings and Infrastructure <sup>4</sup>	Buildings financed	total #	1
	Floor area financed	square feet	667,353
	Annual amount of energy saved	megawatt hours	721
	Annual GHG emissions avoided	tonnes CO <sub>2</sub>	643
	Annual water conserved	cubic metres	1,631
Pollution Prevention and Control	Recycling projects financed	total #	2

<sup>1</sup> Impact measurement metrics reflect BMO's loan share of the project, with the exception of the number of renewable energy projects financed.

<sup>2</sup> Emissions offset calculations are maximums that use estimated electricity production for a 100 MW wind project compared to emission rates from the now-decommissioned Nanticoke coal plant, as indicated in the Ministry of the Environment's 2001 report Coal-Fired Electricity Generation in Ontario. Data is drawn from public sources for these projects and where data for a project was not available, other projects included in the asset pool were used as a proxy.

<sup>3</sup> Water savings estimates are maximums in comparison to coal-fired generation assumption of 2,048 litres/MWh. Data is drawn from public sources for these projects and where data for a project was not available, other projects included in the asset pool were used as a proxy.

<sup>4</sup> Impact measurement metrics for energy saved and water conserved follow LEED methodology, and GHG emissions avoided convert energy saved using EPA regional factors. These metrics reflect BMO's loan share of the project, with the exception of the number of buildings financed and the floor area financed. Data is provided by the client's representative.

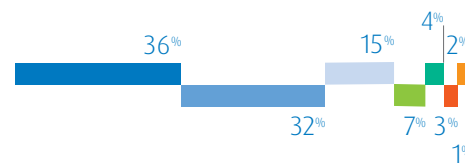


These impact indicators provide a snapshot of the positive social and environmental outcomes associated with the sustainability bond. Additional impact indicators, as well as descriptions of sustainable outcomes by asset category, are provided below.

### WOMEN-OWNED BUSINESS LENDING

BMO has been committed to advancing economic opportunities for women for decades, and recognizes the many barriers women continue to face. We offer a diverse array of programs and financial services to women entrepreneurs to help them overcome systemic barriers, stereotypes and biases, and successfully build and scale their businesses. In June 2018, BMO committed to making \$3 billion in capital available for women business owners in Canada over three years. BMO's women-owned business lending portfolio supports women entrepreneurs across Canada and across sectors. The breakdown of assets included in the sustainability bond is shown below.

### Women-Owned Business Lending Portfolio – Geographic Breakdown

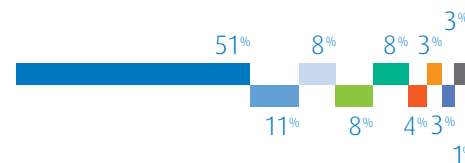


Geographic Breakdown	% of total
Ontario	36%
British Columbia	32%
Alberta	15%
Quebec	7%
New Brunswick	4%
Manitoba	3%
Nova Scotia	2%
Newfoundland and Labrador	1%

By supporting businesses owned in whole or in part by women, BMO gives women equal access to economic resources and opportunity, and supports SDG 5, to achieve gender equality and empower all women and girls.



### Women-Owned Business Lending Portfolio – Sector Breakdown



Sector Breakdown	% of total
Real Estate	51%
Hospitality	11%
Manufacturing	8%
Retail Trade	8%
Agriculture	8%
Health Care	4%
Transportation & Warehousing	3%
Wholesale Trade	3%
Other	3%
Education	1%

Loans to women entrepreneurs also support SDG 8, to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



### CASE STUDY

#### Supporting Women in Health Care

BMO provided Bridgewater Pharmacy Limited with loans that were used by three entrepreneurs, two of whom are women, to acquire an existing pharmacy in Bridgewater, Nova Scotia. In many rural communities in Nova Scotia, government health-care resources are stretched, and this pharmacy aims to provide the community with access to knowledgeable, nurturing and responsive care. Through three private consultation rooms, the pharmacy facilitates minor ailment clinics, medication reviews, immunizations and other services. Its large Home Health Care department helps community members with home renovations so they can stay in their home rather than going to long-term care. And four nurses on staff provide foot care, breast prosthetics, bracing and compression therapy.

By providing financial services to pharmacies, BMO helps ensure access to essential health-care services and medicines, advancing SDG 3, to ensure healthy lives and promote well-being for all at all ages.

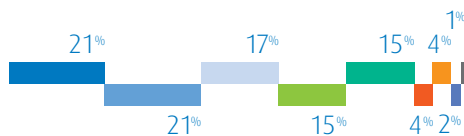
For more information on our BMO for Women program, refer to page 31 of our Sustainability Report.



## INDIGENOUS PEOPLES' BUSINESS AND COMMUNITY LENDING

BMO's Indigenous Banking unit supports the economic growth of Indigenous communities across Canada. Through our network of branches serving Indigenous customers, both on and off reserves, we make financial products and services more accessible for approximately 250 Indigenous communities across Canada. The breakdown of assets included in the sustainability bond is shown below.

### Indigenous Peoples' Business and Community Lending Portfolio – Geographic Breakdown



Geographic Breakdown	% of total
Alberta	21%
British Columbia	21%
New Brunswick	17%
Nova Scotia	15%
Quebec	15%
Northwest Territories	4%
Yukon	4%
Saskatchewan	2%
Ontario	1%

## CASE STUDY

### Membertou First Nation Community



Michael McIntyre, CFO of Membertou First Nation, speaking with BMO's Indigenous Banking team in Membertou, Cape Breton.

BMO has provided loans to support the economic development and well-being of the Membertou First Nation community. Membertou employs approximately 500 people and was the first Indigenous community in the world to receive ISO:9001-2008 certification for its quality management system, including continual upgrades. The Membertou Community Chief was awarded the Order of Canada in 2017.

BMO's lending has supported the Membertou Sport and Wellness Centre Inc. This Centre has become one of the largest sporting venues on Cape Breton Island and is a large part of the community, bringing revenue to the First Nation and the city of Sydney. The

By supporting Indigenous peoples' businesses and communities, BMO promotes economic inclusion, equal opportunity and reduced inequalities of outcome. This contributes to the advancement of SDG 10, to reduce inequality within and among countries.



Centre has the most energy-efficient skating rink in Nova Scotia and has won several awards from the province. The YMCA at the facility has 450 Membertou members and the rink provides free ice time to Membertou children. The facility supports SDG 3, to ensure healthy lives and promote well-being for all ages, by facilitating physical exercise throughout the year. The indoor walking track, for example, is extremely busy during the winter months.

BMO also provided a loan to the Membertou Reserve Band Council to build three new housing units and sell the homes to band members. By supporting housing development on Indigenous reserves, BMO is helping to provide First Nations with equal access to economic resources, as well as ownership and control over land and other forms of property, in line with SDG 1, to end poverty in all its forms everywhere. This support also enhances access to housing and basic services to reduce overcrowding in First Nations, in line with SDG 11, to make cities and human settlements inclusive, safe, resilient and sustainable.



## CASE STUDY

### Anishinaabe Abinoojii Family Services and Wauzhushk Onigum Nation community

Anishinaabe Abinoojii Family Services (AAFS) is an Indigenous organization that provides child welfare services for the children and families of Wauzhushk Onigum Nation. BMO's Indigenous Banking unit provided this First Nation with a loan for a new office building, with AAFS's assignment of lease supporting the loan. The new office moved AAFS from Kenora to within the First Nation, making child and welfare services more accessible to families in the area and providing a more comfortable experience for Indigenous employees and the families they serve.

By supporting asset ownership by Indigenous communities, BMO facilitates equal access to economic resources, and ownership and control over land and other forms of property, in line with SDG 1, to end poverty in all its forms everywhere. The provision of child welfare services helps to advance SDG 3, to ensure healthy lives and promote well-being for all at all ages, and SDG 16, to promote peaceful and inclusive societies for sustainable development and build effective, accountable and inclusive institutions.





### SUSTAINABLE LAND USE

BMO has been supporting Canadian agriculture since 1817. BMO has the largest portfolio of agricultural loans of all chartered banks in Canada, and we are the second-largest non-government lender to the agriculture and agri-food industry sectors in North America.

Efforts by both Lakeside and Nature Fresh Farms to ensure a sustainable food production system and to implement resilient agricultural practices that help maintain ecosystems and improve carbon pools and land and soil quality contribute to SDG 2, to end hunger and promote sustainable agriculture; SDG 6, to ensure sustainable management of water; SDG 13, to reduce climate change impacts; and SDG 15, to protect terrestrial ecosystems. By integrating circular economy packaging solutions, these companies are reducing waste generation, in line with SDG 12, to ensure sustainable consumption and production patterns.



### CASE STUDY

#### Lakeside Produce Inc.

BMO has provided loans to Lakeside Produce Inc. to expand its operations in Ontario and Texas. Lakeside is committed to growing sustainably in order to produce quality foods while protecting the environment, bettering life for its employees and partners, and giving back to the local community:

- Lakeside installed a 2-megawatt cogeneration unit at its facility in Leamington to reduce its carbon footprint by 8,800 tons – the equivalent of planting 366,000 trees per year. A larger 10-megawatt cogeneration unit was added in July 2020, which provides electricity to the local grid.
- The company's fully closed water recirculation system recycles 78 million gallons of water per year. In addition, its greenhouse production process uses 93% less water than field-grown produce.
- To minimize waste, it is introducing cardboard packaging solutions that significantly reduce single-use plastic, and it donates excess produce to food banks in Ontario, Michigan and Texas.
- To ensure the ongoing development of its team and the community, Lakeside's scholarship program provides up to four grants per year to college and university students pursuing an agribusiness education, and its bursary program supports the education of up to 20 of its employees' children each year.

- Lakeside is implementing innovative artificial intelligence and robotics to improve disease and pest management, limit crop loss and enhance production efficiencies, traceability and quality assurance.

### CASE STUDY

#### Nature Fresh Farms Inc.



Nature Fresh Farms Inc. has used BMO loans to finance the construction, operation and expansion of its greenhouses, packing buildings, worker residences and distribution centres in Canada and the United States. Nature Fresh Farms is one of the largest independent greenhouse produce growers in Canada and the largest grower of lit cultivation tomatoes in North America. The company has 950 acres of greenhouses and produces 130 million pounds of produce (4,000 truckloads) for distribution to more than 40 markets in Canada and the United States, providing employment for over 800 people in three countries.

Nature Fresh Farms has implemented several initiatives to improve the environmental sustainability of its operations:

- Through its closed-loop irrigation system, it recycles and recirculates more than 300 million litres of fertilizer-rich water per year.
- It creates a balanced and biodiverse ecosystem in its greenhouses to reduce the need for pesticides.
- To heat its greenhouses during the winter months, it uses waste wood as fuel in its biomass boilers and has installed highly efficient screens to trap heat and reduce heat consumption by 44%.
- It has championed sustainable packaging solutions, including top-seal technology that reduces plastic use by 30%, compostable trays that prevented 67,000 pounds of Styrofoam from entering landfill in 2018–19 and the first 100% compostable biopolymer wrap in North America.
- To reduce its footprint and become more efficient, it has made significant investments in energy-efficient technologies, including LED lighting upgrades to reduce electricity use and the installation of energy screens, dock and door seals, vent seals and insulation to reduce energy use in heating and cooling.

## RENEWABLE ENERGY

The bond proceeds include three loans that finance wind power generation projects in Ontario. In aggregate, these have added 233 MW of renewable energy capacity to Ontario's electricity grid, resulting in an annual reduction of approximately 713,000 tons of carbon dioxide emissions, as well as the conservation of 1.6 million cubic metres of water. BMO's share of these impacts is reported in the summary table above.

These projects support SDG 7, to ensure access to affordable, reliable, sustainable and modern energy for all, by increasing the share of renewable energy in the energy mix; SDG 11, to make cities and human settlements inclusive, safe, resilient and sustainable, by decreasing the per capita environmental impact associated with electricity consumption; which also supports SDG 13, to reduce climate change impacts.



## GREEN BUILDINGS AND INFRASTRUCTURE

The bond proceeds include a loan to a construction project seeking LEED certification.

### CASE STUDY

#### Centene Plaza C, LEED Gold

BMO helped finance Centene Plaza C, a 27-storey, 667,353-square-foot Class A office tower in Clayton, Missouri. It has completed the design phase of the LEED review process and is on track to achieve LEED Gold certification, yielding many environmental benefits:

- The building design incorporates high-performance glazing, high-efficiency boilers and chillers, and high-efficiency lighting. These design attributes contribute to an anticipated 20% savings in energy use.
- The building will include high-efficiency restroom fixtures that contribute to a 30% savings in water use.
- Landscape planting is all native, and there is a vegetative roof consisting of native plantings to manage storm water and reduce the heat island effect in the urban core.

- Indoor environmental quality is a high priority for project stakeholders, and all finishes have minimal to zero volatile organic compound content.
- Responsible construction practices are ensuring that at least 95% of construction waste is being diverted from landfills, and materials with high embodied carbon, such as concrete and steel, are being sourced from within 500 miles of the job site and contain a high level of recycled content.

These benefits contribute to SDG 11, to make cities and human settlements inclusive, safe, resilient and sustainable, by reducing the per capita environmental impacts of cities through improved air quality and waste management. Energy efficiency and the associated greenhouse gas emission reductions also contribute to SDG 13, to take urgent action to combat climate change and its impacts.



## POLLUTION PREVENTION AND CONTROL

The bond assets also include loans to companies that reclaim, sort and recycle scrap metal in Canada. Loan proceeds have been used to expand capacity and improve operational efficiency.

By enabling the production of greater quantities of recycled materials, BMO is advancing SDG 12, to ensure sustainable consumption and production patterns, by supporting sustainable management and efficient use of natural resources, and by reducing waste generation through reduction, recycling and reuse. By diverting materials from landfill that contribute to greenhouse gas emissions, this activity also supports SDG 13, to take urgent action to combat climate change and its impacts.



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## Independent Limited Assurance Report to BMO Financial Group

We have been engaged by the management of BMO Financial Group (BMO) to undertake a limited assurance engagement in respect of certain information disclosed in the BMO Sustainability Bond Report as at July 31, 2020 (the Report), as described below.

### Subject Matter Information and Applicable Criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following information (collectively, the “Subject Matter Information”):

- Full allocation of proceeds (as presented on page 1)
- Allocation of proceeds to eligible categories (as presented on page 1)
- Impact Indicators (as presented on page 2).

The Subject Matter Information, as presented in the Report, is denoted by the symbol ▲.

We have not performed any procedures with respect to other information included in the Report and, therefore, no conclusion on the Report as a whole is expressed.

There are no mandatory requirements for the preparation, publication or review of sustainability performance information. As such, BMO applies its Sustainable Financing Framework (version September 2019

available [here](#)) and definitions included in the Report.

### Management’s responsibilities

Management is responsible for the preparation and presentation of the Subject Matter Information, current as at the date of our report. Management is also responsible for establishing and maintaining appropriate internal control systems from which the reported Subject Matter Information is derived.

### Our responsibility and professional requirements

Our responsibility in relation to the Subject Matter Information is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires that we plan and

perform the engagement to obtain the stated level of assurance in accordance with applicable criteria.

### Assurance approach

We planned and performed our work to obtain all of the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Subject Matter Information, and applying analytical and other evidence gathering procedures to the assured information, as appropriate. Our procedures included:

- Inquiries with relevant staff at the corporate and business unit level to understand the data collection and reporting processes for the Subject Matter Information;
- Where relevant, performing walkthroughs of data collection and reporting processes for the Subject Matter Information;
- Comparing the reported data for the Subject Matter Information to underlying data sources;
- Inquiries of management regarding key assumptions and where relevant, the re-performance of calculations;
- Reviewing the Subject Matter Information presented in the Report to determine whether it is consistent with other information included in the Report and our overall knowledge of, and experience with, the sustainability performance of BMO.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

### Independence, quality control and competence

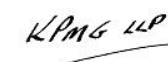
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and the applicable subject matter.

### Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that, as at July 31, 2020, the Subject Matter Information as described above has not been prepared and presented, in all material respects, in accordance with BMO’s Sustainable Financing Framework and definitions included in the Report current as at the date of our report.



Chartered Professional Accountants, Licensed Public Accountants

December 18, 2020  
Toronto, Canada

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## Disclaimer

This Sustainability Bond Impact Report is provided for informational purposes only and is subject to change without notice.

The Bank of Montreal (the “Bank”) does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by the Bank for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

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By their nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that the Bank’s predictions, forecasts, conclusions or projections will not prove to be accurate, that the Bank’s assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Bank cautions the readers of this document not to place undue reliance on these forward-looking statements as a number of risk factors, many of which are beyond the Bank’s control and effects of which can be difficult to predict, including difficulty identifying assets that meet the eligibility criteria, and the risk that eligible projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Bank, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The Bank cautions that the preceding list of risk factors is not exhaustive. For more information, please see the Bank’s most recent Annual Report, as may be updated by quarterly reports. Readers should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The Bank does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law.