

BMO Financial Group

2023 Sustainable Bonds Impact Report



The BMO Sustainable Bonds Program supports our commitment to building a sustainable future.

This report offers an overview of the BMO Sustainable Bonds Program. This report focuses on the Women in Business Bond issued in 2021. BMO's Sustainability Bond matured in November 2022. This report includes brief descriptions of some of the businesses that receive financial support through the program, as well as the opportunities they are exploring in their communities to build a sustainable future. To learn more about BMO's sustainable finance commitments, please see our Sustainability Report.

3 About BMO

4 About the BMO Sustainable Bonds Program

- Bonds in the program
- How we use bond proceeds

6 Positive Impacts

- 2023 impact metrics
- 2023 case studies

In this report

We, us, our, bank and BMO mean Bank of Montreal and its subsidiaries.

Reporting period

Covers the year ended July 31, 2023.

The most recent report was published in December 2022. Past reports are available on our website <https://our-impact.bmo.com/reports>

Data

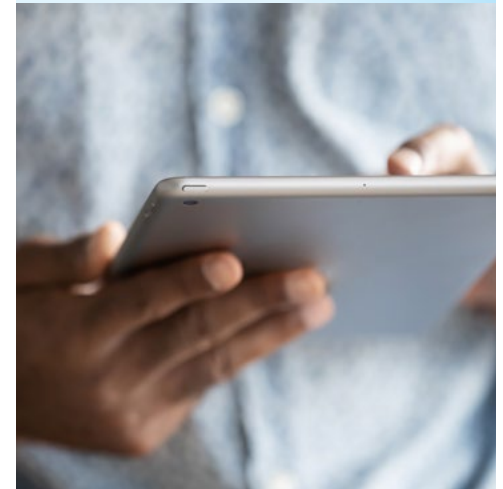
Unless otherwise noted:

as at July 31, 2023

may be rounded

dollar amounts are in Canadian dollars

◆ KPMG provided limited assurance of these figures in 2023. KPMG's Independent Limited Assurance Report is on page 10.



BMO's approach to sustainability is integrated into our business operations and strategic planning, as well as our corporate governance practices.

Sustainability reporting suite

- Sustainability Report and Public Accountability Statement
- GRI Content Index
- SASB Disclosure
- Data Pack and Glossary
- Climate Report
- Principles for Responsible Banking Reporting and Self-Assessment

Learn more here

- Annual Report to Shareholders
- Management Proxy Circular

About BMO

Established in 1817, BMO Financial Group is the eighth largest bank in North America by assets, with total assets of \$1.29 trillion.

We are a highly diversified financial institution providing a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services. We serve 13 million customers across Canada and the United States, and in select markets globally, through three integrated operating groups.

13 million
customers globally

\$1.29 trillion
in total assets

8th largest
bank in North America
by assets

1817
serving customers for
206 years and counting

Personal and Commercial (P&C) Banking

Provides financial products and services to customers across North America. Personal and Business Banking helps customers make real financial progress through an extensive network of branches, contact centres, digital banking platforms and automated teller machines. Commercial Banking offers valuable industry expertise, local presence and a comprehensive range of commercial products and services.

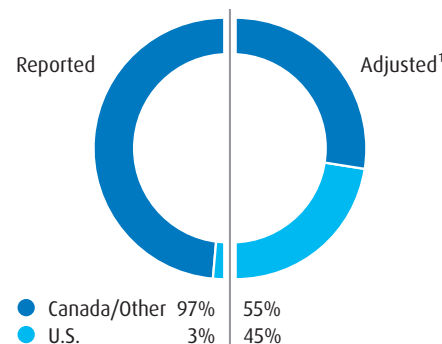
BMO Wealth Management (BMO WM)

Serves a full range of clients, from individuals and families to business owners and institutions, offering a wide spectrum of wealth, asset management and insurance products and services aimed at helping clients make real financial progress through planning, growing, protecting and transitioning their wealth. Our asset management business is focused on making a positive impact and delivering innovative financial solutions and strategies for our clients.

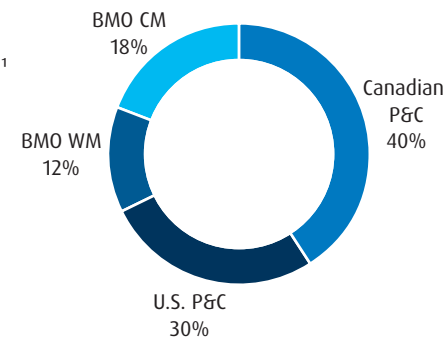
BMO Capital Markets (BMO CM)

Offers a comprehensive range of products and services to corporate, institutional and government clients. BMO Capital Markets has thousands of professionals around the world enabling the growth aspirations of our clients across the bank.

Net Income by Geography



Reported Net Income by Operating Group²



¹ Adjusted net income by geography is a non-GAAP ratio. For further information, see the Non-GAAP and Other Financial Measures section on page 11.

² Percentages determined excluding results in Corporate Services.

About the BMO Sustainable Bonds Program

In 2019, BMO inaugurated a Sustainable Bonds Program that supports our Purpose and advances our commitment to help build a sustainable future, an inclusive society and a thriving economy.

This program is helping us move forward on our Climate Ambition, our Zero Barriers to Inclusion strategy, our sustainable finance commitment, and our ESG engagement with investors, as well as our implementation of the United Nations Principles for Responsible Banking. The program offers ESG-minded investors an opportunity to engage with us for a better understanding of our approach to financing sustainable outcomes – and how our approach might align with their own ESG objectives. As we develop the program, we are gaining a more informed awareness of the impacts and opportunities related to sustainability across our organization, and we are also building relationships that support BMO’s enterprise-wide commitment to sustainability.

We established our [Sustainable Financing Framework](#) in September 2019. The 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. We also engaged Sustainalytics, an independent provider of research, assessments and data, to assess this framework and provide a [Second-Party Opinion](#). The criteria for eligibility set out in the framework apply to every green bond, social bond and sustainable bond issued by BMO. The framework outlines our approach to asset evaluation and selection, with provisions for the management and allocation of all proceeds from the bonds, and it affirms our commitment to report publicly on the proceeds of every bond within one year of its issuance, and annually thereafter.

Bonds in the program

To date, we have issued two bonds under this program. In 2019, we issued our inaugural US\$500 million three-year BMO Sustainability Bond, which matured on November 1, 2022; and on International Women's Day in 2021, we issued our first social bond, the C\$750 million five-year BMO Women in Business Bond.

This report details the use of the proceeds from the BMO Women in Business Bond and, where practicable, the positive social outcomes associated with this issuance, for the year ended July 31, 2023.

BMO Women in Business Bond profile

Issue date	March 10, 2021
Maturity date	March 10, 2026
Issued amount	C\$750 million
Use of proceeds	Proceeds are allocated to women-owned businesses, including microenterprises and small and medium-sized businesses
ISIN	CA06368DPC25

Since the 2019 BMO Sustainability Bond issuance has matured, that issuance is not discussed further in this report. More information on the sustainability impacts of that bond issuance can be found in the [2022 BMO Sustainable Bonds Impact Report](#). The BMO Sustainable Bonds program remains active and opportunities for future issuances will be considered by BMO Treasury in partnership with the BMO Sustainability Office.

◆ KPMG has provided limited assurance of this figure.

How we use bond proceeds

An amount equivalent to the net proceeds from the BMO Women in Business Bond is currently funding, or is otherwise supporting project finance loans, general corporate finance loans and/or equity investments that advance the United Nations Sustainable Development Goals (SDGs).

As at July 31, 2023, 100% ◆ of the bond's proceeds had been allocated to eligible asset categories. When less than 100% of the proceeds of a bond have been allocated, we will hold the unallocated amount in cash or liquid securities, in accordance with our liquidity management policy, as outlined in the BMO Sustainable Financing Framework. Please refer to this framework for more information on eligibility criteria.

The United Nations 2030 Agenda for Sustainable Development sets out 17 SDGs and identifies 159 related targets in areas of critical importance for humanity and the planet. <https://sdgs.un.org/2030agenda>



Asset category	Sustainable Development Goals	% of assets allocated
		BMO Women in Business Bond
 Social asset categories		
Women-owned business lending		
Lending to small and medium-sized enterprises with at least one woman owner	<div><div>5</div>Gender equality</div> <div><div>8</div>Decent work and economic growth</div>	100% ◆



Positive Impacts

The BMO Sustainable Bonds Program is focused on supporting the achievement of positive outcomes that will ensure greater inclusion for our customers, as well as long-term sustainability and economic stability. A snapshot of the positive social outcomes associated with the BMO Sustainable Bonds Program is provided at the right. This report also includes case studies that highlight the allocation of the bond's proceeds, with profiles of the customers and projects that have received funding through the program. Each case study includes specific impact indicators and an assessment of positive outcomes.

◆ KPMG has provided limited assurance of this figure.

2023 impact metrics

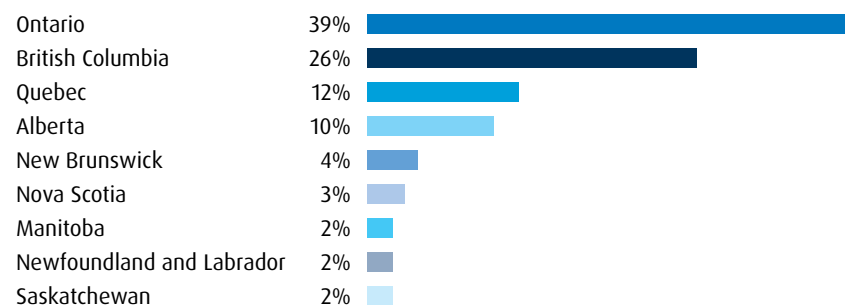
Impacts of the BMO Women in Business Bond that reflect the allocation of its proceeds are quantified as follows.

		Impact measurement
Asset category	Impact indicator	BMO Women in Business Bond
 Social asset categories		
Women-owned business lending	Women-owned businesses financed	441 
	Women business owners supported	452 

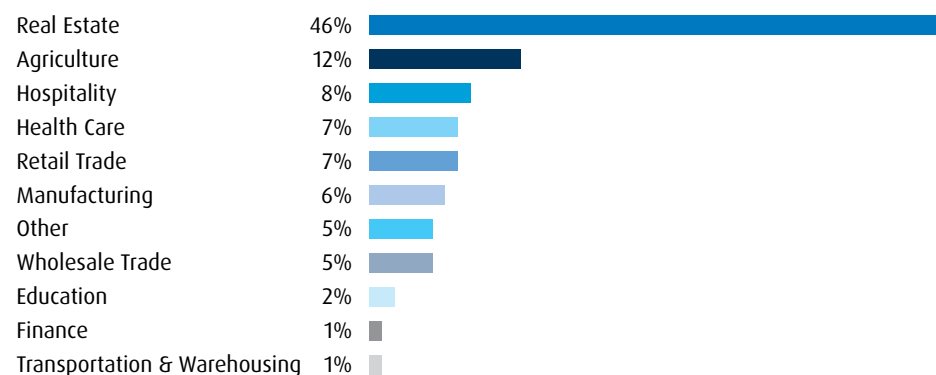
BMO Women in Business Bond

A breakdown of the assets held in the portfolio of the BMO Women in Business Bond is shown as follows.

Geographic breakdown



Sector breakdown





Women-owned business lending



In line with our long-standing support of gender equity, BMO is committed to removing barriers to women's empowerment, championing their advancement, and advocating for a more inclusive economy.

We offer an array of robust, forward-looking programs for women entrepreneurs, intended to support them as they work to build and scale their businesses in the face of systemic barriers, biases and stereotypes. Equitable access to financial resources will enable these entrepreneurs to seize new opportunities as they emerge. In 2022, we announced a commitment of \$5 billion in new funding to provide financial support for women business owners in Canada. Our portfolio of lending to women-owned businesses now encompasses women entrepreneurs operating in many economic sectors across Canada. More information on the BMO for Women program can be found in our [Sustainability Report](#) and at bmoformen.com.

5 Gender equality

8 Decent work and economic growth

By supporting businesses owned in whole or in part by women, BMO is providing women with more equitable access to financial resources and economic opportunities and advancing **SDG 5**, to achieve gender equality and empower all women and girls. Loans to women entrepreneurs also advance **SDG 8**, to promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.



> Laura's family at Tillsonburg, Ontario

Townsend Lumber

Townsend Lumber has been in business and family owned and operated for more than 60 years. The company offers high-quality hardwood products and materials in both local and global markets. The head office and primary sawmill facility cover more than 200 acres in Tillsonburg, Ontario. Laura Townsend is a third-generation owner of the business and has co-managed its operations with her husband since 2016. With BMO's support, they have modernized its operations, incorporating new machinery and processes that convert raw wood materials into market-ready lumber with minimal waste. This has allowed the company to expand the range of products it offers, reaching new markets with innovative lumber products for use in high-quality wood furniture, flooring and mouldings for residential interiors, as well as materials used in construction and transportation. As a woman in a male-dominated industry, Laura asserts that combining different management styles and approaches can make a company stronger – and she reminds others that it's important to be confident with your own management style and perspectives.

Decades ago, Laura's father was one of the first residents of Tillsonburg to propose new municipal bylaws that would protect forests. Townsend Lumber has been FSC® certified since 2014. The FSC® certification confirms that Laura and her team follow sustainable forest management and harvesting practices. She knows that her company's customers and end-users recognize the significance of the FSC® certification – and her company's employees are proud to be stewards of the environment.

5 Gender equality

By providing financial services to Townsend Lumber, which is committed to sustainable forest management and harvesting, BMO helps advance **SDG 12**, to ensure responsible consumption and production patterns; and **SDG 5**, to achieve gender equality and empower all women and girls.

12 Responsible consumption and production

EZcare Nursing Agency

Eliza Estrella is a highly skilled nurse – and the co-owner of EZcare Nursing Agency, an innovative nursing services business. During the COVID-19 pandemic, EZcare pivoted from running a small clinic in Scarborough, Ontario, to operating as an agency that supports hospitals and clinics faced with nursing staff shortages. A business loan from BMO helped with this pivot. EZcare now has almost 1,000 registered nurses, personal support workers and companion caregivers in its roster and offers a wide range of hospital and post-surgical care, home health care and other medical services. Those services provide support in hospitals' intensive care units, emergency rooms and long-term care departments, as well as medical clinics in First Nations communities and other remote locations.

Eliza wants to know that her hard work is motivating others. Along with her co-owner, Ariel Dumaran, she is seeking new opportunities at the intersection of health, science and technology, where EZcare can take an innovative approach to delivering nursing services 24/7 and expand its scope to include accounting professionals and lab technicians for hospitals and clinics.

3 Good health and well-being

By providing financial services to businesses like EZcare, BMO helps expand access to essential health care services. This advances **SDG 3**, to ensure healthy lives and promote well-being for all at all ages; and **SDG 5**, to achieve gender equality and empower all women and girls.

5 Gender equality



> Travel nurses from EZcare in Northern Ontario.



Iron Crow

Located in Calgary, Alberta, Iron Crow is a store that displays and sells antiques and other intriguing objects. Iron Crow's owner, Terry Dixon, had been searching for ways to reduce her community's carbon footprint by reusing older household items. She decided to launch Iron Crow, a retail business that combines her education in environmental technology with her desire to reuse resources already around us to create a more sustainable world. The new business soon outgrew its available floor space, and when Terry needed to find a new location with more space, a loan from BMO enabled her to purchase a building. Today, Iron Crow has an incredible, extra-large storefront warehouse and has become an invaluable resource for antique lovers, interior designers, and movie and TV crews. Iron Crow antiques have been featured in Heartland, Ghostbusters and The Last of Us, among many other productions.

Iron Crow also serves as an anchor for the community by offering space where local people can gather indoors. For instance, groups of seniors from nearby long-term care residences have enjoyed nostalgic afternoon tours of the store that have also piqued their curiosity. And local schools have arranged visits to Iron Crow, where their students have learned about antiques like the typewriter and the rotary dial phone – and about the benefits of repairing and reusing everyday items in their homes. Iron Crow also donates antiques to charities in the community, which they sell in silent auctions to raise funds.

5 Gender equality

12 Responsible consumption and production

By providing financial services to Iron Crow, a specialty store that promotes sustainability and the preservation of local history, BMO helps advance **SDG 12**, to ensure sustainable consumption and production patterns; and **SDG 5**, to achieve gender equality and empower all women and girls.



> Inside the Iron Crow retail store in Calgary, Alberta



> Anne Whelan,
Chief Executive Officer
of Seafair Capital

Seafair Capital

Seafair Capital Inc. is a strategic leadership and community investment company in St. John's, Newfoundland. Anne Whelan, its chief executive officer, launched the company in response to the need for many different kinds of care in her community. Seafair's mission is to identify and unlock the potential of its investee companies, which include both mature businesses that support child protection, behavioural health and senior care, as well as emerging businesses and start ups that offer digital health solutions, health services logistics and local business and community development. For instance, FairPort Services, an investee company of Seafair, is a solutions vendor and procurement partner for large energy, marine and industrial projects, and it works to maximize local participation in every project – and the related benefits. A business loan from BMO supported the development of Seafair's Innovation Platform, which has been the wellspring for a number of new service offerings, and has a growing list of business partnerships in Atlantic Canada and beyond.

Anne's vision is to strengthen the social fabric of Canada's communities, guided by the mantra "do well by doing good." Seafair recently launched Brightisle, in which some of Seafair's individual operating companies will work together under an integrated service model to fill gaps in the health care space, in Newfoundland and Labrador and beyond. Brightisle's integrative approach to community health and well-being will help people age at home with community-based nursing, provide care for young adults during their transition out of the child protection system, and develop needs-based community housing. Anne has been recognized for her business and community contributions, and she was named one of Canada's Most Powerful Women in both 2016 and 2021. In 2023, she was inducted into the Newfoundland and Labrador Business Hall of Fame.

3 Good health and well-being


5 Gender equality

11 Sustainable cities and communities

By providing financial services to Seafair, a company that invests in strengthening the social fabric, launches start-ups offering specialized care, and supports the maintenance of national standards for health care, BMO helps advance **SDG 3**, to ensure healthy lives and promote well-being for all at all ages; **SDG 11**, to make cities and human settlements inclusive, safe, resilient and sustainable; and **SDG 5**, to achieve gender equality and empower all women and girls.

Independent Practitioner's Limited Assurance Report

To Management of Bank of Montreal

We have undertaken a limited assurance engagement on selected indicators of Bank of Montreal ("BMO"), denoted by the symbol  in the accompanying 2023 Sustainable Bonds Impact Report (the "Report") and as described below ("Subject Matter Information"), as at July 31, 2023.

Subject Matter Information	Issuance	Applicable Criteria
Full allocation of proceeds, including allocation of proceeds to eligible categories (%), as presented on page 5	BMO Women in Business Bond (due on March 10, 2026)	BMO's Sustainable Financing Framework (2019)
Impact indicators (#), as presented on page 6		

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Management's Responsibility

Management is responsible for the preparation and presentation of the Subject Matter Information in accordance with [BMO's Sustainable Financing Framework \(2019\)](#) (the "applicable criteria").

There are no mandatory requirements for the preparation or presentation of the Subject Matter Information. As such, BMO has applied the applicable criteria. Management is responsible for the development of such criteria. Management is responsible for determining the appropriateness of the use of the applicable criteria.

Management is also responsible for determining BMO's objectives in respect of sustainability performance and reporting, including the identification of stakeholders and material issues.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on the Subject Matter Information based on procedures performed and evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standards on Assurance Engagements (CSAE) 3000, Attestation Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we plan and perform our engagement to obtain limited assurance about whether based on the procedures performed and evidence obtained, any matter(s) has come to our attention to cause us to believe that the Subject Matter Information is materially misstated.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the Subject Matter Information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the Subject Matter Information.

Our engagement included: assessing the appropriateness of the Subject Matter Information, the suitability of the criteria used by BMO in preparing the Subject Matter Information in the circumstances of the engagement and evaluating the appropriateness of the: methods, policies and procedures, and models used in the preparation of Subject Matter Information.

Our engagement included, amongst others, the following procedures: making inquiries, primarily of persons responsible for the preparation of performance information for the Subject Matter Information, and applying analytical and other evidence gathering procedures, as appropriate.

The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both subject matter and in the applicable subject matter, including environmental, social and governance aspects.

Practitioner's Independence and Quality Management

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Significant Inherent Limitations

Historical non-financial information, such as that contained in the Report, is subject to more inherent limitations than historical financial information, given the qualitative characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the applicable criteria, may change over time, and it is important to read BMO's reporting methodology available online [here](#).

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that BMO's Subject Matter Information as at July 31, 2023, is not prepared and presented, in all material respects, in accordance with the applicable criteria.

Specific Purpose of Subject Matter Information

The Subject Matter Information has been prepared in accordance with the applicable criteria and, as a result, the Subject Matter Information may not be suitable for another purpose.



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
December 14, 2023

Caution Regarding Forward-Looking Statements and Non-GAAP and Other Financial Measures

This Sustainable Bonds 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 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 is or will be accepted by the Bank for any loss or damage arising out of, or in connection with the use of, or reliance upon, the information contained in this document.

Nothing in this document shall constitute, or form part of, an offer to sell or a solicitation of an offer to buy or subscribe for any security or other instrument of the Bank or any of its affiliates, or as an invitation, recommendation or inducement to enter into any investment activity, and no part of this document shall form the basis of, or be relied upon in connection with, any contract, commitment or investment decision. Offers to sell, sales, solicitations of offers to buy or purchases of securities issued by the Bank or any of its affiliates may only be made or entered into pursuant to appropriate offering materials prepared and distributed in accordance with the laws, regulations, rules and market practices of the jurisdictions in which such offers, solicitations or sales may be made. Professional advice should be sought prior to any decision to invest in securities.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to law or regulation. This Sustainable Bonds Impact Report may contain forward-looking statements within the meaning of certain securities laws, including the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements contained in this document may include, but are not limited to, statements with respect to the Bank’s objectives, priorities, strategies, future actions, targets or expectations. Forward-looking statements are typically identified by words such as “will”, “would”, “should”, “believe”, “expect”, “anticipate”, “project”, “intend”, “estimate”, “plan”, “goal”, “commit”, “target”, “may” and “could”.

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 the effects of which can be difficult to predict, including difficulty identifying assets that meet the eligibility criteria, and the risk that eligible projects may not be completed within any specified period, or at all, or with the results or outcome originally anticipated by the Bank, could cause actual future results, conditions, actions or events to differ materially from the commitments, 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 and 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.

Non-GAAP and Other Financial Measures

Results and measures in BMO’s Management’s Discussion and Analysis dated December 1, 2023 for the fiscal year ended October 31, 2023 (“2023 Annual MD&A”) and this document are presented on an IFRS basis. We use the terms IFRS and Generally Accepted Accounting Principles (GAAP) interchangeably. Adjusted net income by geography is a non-GAAP ratio. Readers are cautioned that non-GAAP ratios and measures do not have standardized meanings. They are unlikely to be comparable to similar ratios and measures presented by other companies and should not be viewed in isolation from, or as a substitute for, GAAP results. For information about how BMO calculates adjusted net income, see the definition in the Glossary of Financial Terms starting on page 135 of the 2023 Annual MD&A and for a reconciliation of reported and adjusted results by operating segment, see Non-GAAP and Other Financial Measures starting on page 28 of the 2023 Annual MD&A. This information and the reconciliation are incorporated by reference. The 2023 Annual MD&A is available on SEDAR at www.sedar.com and on BMO’s website at www.bmo.com/investorrelations.

Need help?

Email us at: sustainability@bmo.com



BMO's Sustainability Leaders Podcast

BMO's Sustainability Leaders podcast series introduces you to the innovative minds and diverse perspectives that are pushing the boundaries in sustainability good practice.

<https://sustainabilityleaders.bmo.com/en/home/sustainability-leaders-podcast/>



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