2019 Sustainability Report and Public Accountability Statement





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About Us

North America's eighth largest bank by assets, BMO serves more than 12 million customers through three integrated operating groups providing personal and commercial banking, wealth management and investment services. Everywhere we do business, we're focused on building, investing and transforming how we work to drive performance and continue growing the good.

Building on 202 years of experience (and counting), BMO has a strong brand and distinctive capabilities aligned with a clear, well-defined strategy. As we execute on our strategic priorities, balancing our commitments to the bank's diverse stakeholders, our aim over time is to achieve our medium-term financial objectives while creating sustainable shareholder value.

We're proud of our highly engaged workforce and award-winning culture. BMO employees are dedicated to transparency, sound governance and the highest standards of ethical conduct – values that form the foundation of trust we create with our customers, our communities and each other. Globally minded and socially conscious, we strive to lead by example as we constantly set our sights higher, inspired by our Purpose and energized by the opportunity to be champions for progress that's both good and bold.



BMO's Purpose Manifesto

Since the beginning, BMO has had a purpose beyond profit to be a champion for progress and a catalyst for change. We are a partner for our customers seeking to fulfill their dreams, we are an employer for the tens of thousands of people who work with us every day, and we are proud members of the communities in which we live and work. Our commitment to driving positive change for our customers, employees and communities has spanned more than 200 years. In short, our Purpose is to **Boldly Grow the Good** *in business and life*.

Our success has involved adapting to a changing society while helping our customers do the same. Today, from human rights to climate change to sustainable finance, the challenges we face are increasingly complex and interconnected. In response, we are strengthening our commitment to sustainability and to navigating these changes together with our stakeholders.

We believe that profit and progress go hand in hand. We will think big and pursue our growth objectives confidently, balancing risk and opportunity to create value that is shared with the world around us. Our Purpose encourages us to do the right thing every day.

In support of our Purpose, BMO has committed to **double the good** by 2025:

- For a sustainable future: we will mobilize \$400 billion for sustainable finance, and launch an impact investment fund to find and scale solutions to sustainability challenges.
- For a thriving economy: we will double BMO's support for small businesses and for women entrepreneurs.
- For an inclusive society: we will reduce barriers to inclusion for employees, customers and stakeholders partnering with BMO.

Inspired by the United Nations Sustainable Development Goals (SDGs) and grounded in BMO's values of integrity, empathy, diversity and responsibility, these commitments will shape everything we do: the way we serve our customers and the products and services we design for them; our ongoing hiring practices and employee training and development programs; and our community giving and engagement with our partners.

To deliver on and amplify our Purpose, we will:

- Work to increase positive impacts and reduce negative impacts across BMO's operations and value chain.
- Develop new products and services to help our customers achieve society's shared economic, social and environmental objectives.
- Embed sustainability more deeply within our operations and internal procedures.
- Support collaboration, learning and innovation through our community giving activities.
- Actively engage stakeholders and investee companies to drive best practices.

BOLDLY GROW
THE GOOD

We will continue to focus our efforts in areas where we can have a measurable impact on:

- Our shareholders: generating long-term value for our shareholders and engaging with them openly.
- Our customers: fostering inclusive relationships with our customers, including women entrepreneurs and small businesses, to address the challenge of economic disparity.
- Our employees: championing diversity and inclusion across our organization and preparing our colleagues for the jobs of the future.
- Our environment: managing our environmental footprint and financing and advising our clients during the transition to a resource-efficient, lowcarbon and circular economy.
- Our community: building stronger, healthier communities through donations, sponsorships and volunteering.
- **Our suppliers:** dealing fairly and ethically with our suppliers and working with them to improve their practices.
- Our peers: collaborating on thought leadership and innovation initiatives and leveraging our combined influence to create positive and sustainable change.

Together, BMO's operating groups are mobilizing to make real progress toward these goals. By working together, we can all elevate our performance and be the change that grows the good for us all.



A Message from the CEO

Boldly Grow the Good in business and life: this is how we sum up BMO's Purpose. By attaching intention to our strategic priorities, our Purpose informs every action we take to foster and accelerate positive change.

It begins with acting transparently, and to the highest standards of business conduct, as we build the trust that allows us to lead by example in advancing positive change. And our Purpose naturally underpins the bank's longstanding commitment to sustainability – not just in a few special initiatives, but as an integral part of how we think, work and do business.

The significance of what we're achieving together extends far beyond traditional metrics. We also measure value in terms of human and intellectual capital, social and relationship capital, and our stewardship of the planet's non-renewable resources. For as long as BMO has been in business, we've understood that no company can succeed unless it's working every day to make things better for communities, society and the environment. Understanding what matters to diverse stakeholders means asking the right questions - often hard questions - and really listening to the answers. And then we need to act together, because success can and must be mutual.

In the past year, BMO has made bold commitments in three areas: we're focused on growing the good for a sustainable future, for

a thriving economy and for an inclusive society. The initiatives launched within this framework cut across all areas of our business. And they reinforce our role as a convener and catalyst, inspiring powerful partnerships with a wide variety of stakeholders – from environmentally conscious investors, to women entrepreneurs, to the tens of thousands of talented people across our bank who demonstrate every day the value of fostering diversity and inclusion.

We're especially proud to be making a difference in sustainable finance, an area of growing opportunity where BMO has committed to mobilizing \$400 billion by 2025. In October 2019, we issued an inaugural sustainability bond allocating US\$500 million over three years to a range of environmental and social asset categories, including renewable energy, green buildings and infrastructure, pollution prevention and control, sustainable land use, Indigenous communities and women-owned businesses. This last area of focus mirrors our earlier pledge to make \$3 billion in capital available to Canadian women entrepreneurs by 2021. And we're also launching, with \$250 million in seed capital, an impact investment fund

that will identify promising solutions to sustainability challenges and help bring them to scale.

Many of BMO's sustainability efforts are framed by the global response to climate change. Like our stakeholders, we recognize that this urgent issue requires decisive action, and we're proud to have evolved and refined our approach to the challenge. The results are detailed in our Climate Report, which is aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Transitioning to a lower-carbon economy is a complex task that will take time. Innovative companies, supported by the capital we provide, can help accelerate that transition. At the same time, we're working alongside BMO's many partners in the energy sector as they advance sustainable development while maintaining their crucial role in the economy. We all understand the need to balance the various dimensions of sustainability – social, economic and environmental – as we collaborate on meaningful and lasting solutions.

That same understanding drives our efforts to address economic disparity and inequality of opportunity through our support for both public sector and charitable organizations. In October 2019, for example, we announced a \$10 million corporate donation to United Way of Metro Chicago aimed at fostering economic inclusion and creating sustainable opportunities in neighbourhoods across



Chicagoland. This initiative complements a similar \$10 million investment BMO made last year in partnership with United Way Greater Toronto. In addition, over 90% of our employees make generous donations – and thousands volunteer their time – in support of socially conscious charities. Together, we're helping to close the fairness gap for those who face barriers to success.

A deep sense of conviction anchors all of the initiatives showcased in this report. BMO's Purpose is the standard by which we define and measure ourselves. And it establishes common ground for working together with our customers, our employees, our shareholders and our communities – empowering all of us to create shared value that's both good and bold.

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Darryl White Chief Executive Officer BMO Financial Group



A Message from the Chair, Sustainability Council

BMO's Purpose to **Boldly Grow the Good** *in business and life* serves as the theme of this year's Sustainability Report. Our Purpose is inspired by the Sustainable Development Goals (SDGs), which are shaping our business operations and our sustainability activities going forward. Throughout this report, we provide detailed accounts of the many ways in which BMO contributes to achieving these widely shared goals. We have identified seven specific SDGs for which we believe we can have the greatest impact. They are set out on page <u>8</u> of this report and are highlighted throughout, as we link each of our priority sustainability topics to specific SDGs.

Climate change remains an issue of focus for all of us at BMO, and we continue to support the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). We are releasing our first Climate Report this year, in alignment with these recommendations, as a special supplement to this Sustainability Report. We are committed to taking a leadership role in Canada on climate change, and we made significant progress in 2019 on defining our approach to managing climate-related financial risks and opportunities.

In 2019, we launched a climate-related scenario analysis program with a cross-functional, collaborative pilot project. We are now planning to expand the scope of this program across our business operations.

Also in 2019, we committed to mobilizing \$400 billion for sustainable finance by 2025. We established a Sustainable Finance team within Capital Markets to press forward with our new sustainable finance strategy and to pursue sustainability opportunities alongside our customers.

Now that the Sustainability Accounting Standards Board (SASB) has finalized its sector-specific standards, we have been

hearing inquiries from our investors about the disclosure of sustainability information in line with this framework. In preparing this year's report, we have made a concerted effort to compile and present a set of decision-useful disclosures for investors and analysts. Our first SASB-aligned disclosure appears here on page 79. With this and our new value creation infographic that appears on page 6, we continue our journey toward effective, well-integrated reporting approaches.

Diversity is one of BMO's core values, and we made two important commitments in 2019 that support and strengthen our diversity and inclusion programs. BMO became the first Canadian bank to sign the United Nations Women's Empowerment Principles – a commitment to promote female leadership in our workplace, in the marketplace and in the community. We also pledged our support for the United Nations LGBTI Standards of Conduct, which guide us on fully respecting the human rights of LGBTI people.

We are embracing the role we can play in partnering with our stakeholders to create lasting positive change. We launched the podcast 'Sustainability Leaders' in 2019 to enhance and share thought leadership. Hosted by our Chief Sustainability Officer, Michael Torrance, the series explores diverse perspectives as well as initiatives that are pushing the boundaries in good sustainability practice. I encourage you to tune in at bmosustainabilityleaders.com.



BMO's sustainability program continues to receive recognition, including through our inclusion in the 2019 Bloomberg Gender-Equality Index, the 2019 Dow Jones Sustainability Index – North America, and the Ethisphere® Institute's 2019 World's Most Ethical Companies® listing.

See page $\underline{5}$ for a full list of awards and recognition.

Thank you for taking the time to review our report. I welcome any questions or feedback you'd like to share at sustainability@bmo.com.

Minos

Simon Fish General Counsel and Chair BMO Sustainability Council



About This Report

BMO's 2019 Sustainability Report and Public Accountability Statement (PAS) covers our 2019 fiscal year (November 1, 2018 to October 31, 2019). We publish a Sustainability Report and PAS annually. In previous years, the title of this report was the BMO Environmental, Social and Governance Report and PAS. We changed the title this year in order to reflect current global reporting practice, as well as our evolving approach to discussions of sustainability.

Past reports can be found on our website. Our previous report (for fiscal 2018) was released in December 2018. Unless otherwise noted, the information presented here is as at October 31, 2019, and all dollar amounts are in Canadian funds. Performance data in this report is enterprise-wide, unless otherwise stated. Where there has been a change in measurement methods, we have either identified the change in a footnote or described the change in the Glossary of Terms on pages 108–111.

Corporate website: www.bmo.com

2019 Annual Report to Shareholders: https://www.bmo.com/home/about/banking/investor-relations/annual-reports-proxy-circulars

2018 Employment Equity Narrative Report: https://corporate-responsibility.bmo

2019 Management Proxy Circular: https://www.bmo.com/home/about/banking/investor-relations/annual-reports-proxy-circulars
2019 Climate Report: https://corporate-responsibility.bmo.com/reports/
BMO statements on current issues: https://corporate-responsibility.bmo.com/
our-aporoach/statement-on-current-issues/#issues

Sustainability Report

Our Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and the GRI Financial Services Sector Disclosure. A GRI Content Index is provided on pages 89–107.

The content of this Sustainability Report was shaped by the findings of a materiality assessment we conducted in June 2017, which was based on the approach prescribed by the GRI. We plan to conduct our next materiality assessment in 2020.

We have aligned our priority topics with specific Sustainable Development Goals (SDGs) and targets. The relevant SDG symbols appear at the start of each section in this report.

Symbol Key for This Report

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Index

Sustainable Development Goal (SDG)

More information

Chapter icon

•

▲ 2019 metric assured by KPMG

Navigate to another section/page

In 2019, we have made two additions to this report:

- Our Climate Report appears on pages 70–78. The report is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). A one-page overview of our approach to climate change appears on page 7.
- We are also reporting on our performance in relation to the Sustainability Accounting Standards Board (SASB) standards that apply to our operating groups. The disclosure appears on pages 79–88.

Public Accountability Statement

This report includes the Public Accountability Statements for Bank of Montreal, Bank of Montreal Mortgage Corporation, BMO Life Assurance Company and BMO Life Insurance Company. It outlines certain aspects of Bank of Montreal's contributions, and the contributions of our affiliates with operations in Canada, to the Canadian economy and society. These disclosures meet the requirements of the Canadian federal government's Public Accountability Statement regulations, section 459.3(1) of the Bank Act (Canada), section 444.2(1) of the Trust and Loan Companies Act (Canada) and section 489.1(1) of the Insurance Companies Act (Canada). These statements appear on pages 114–124.

Your Feedback

We'd like to hear what you think about our Sustainability Report and PAS or any other aspect of our sustainability efforts. Please send questions or comments to sustainability@bmo.com.

Our suite of publications:

The following publications are referred to in our 2019 Sustainability Report and PAS, and are available on our corporate website at www.bmo.com:

- · 2019 Annual Report to Shareholders
- · 2018 Employment Equity Narrative Report
- · 2019 Management Proxy Circular
- · 2019 Climate Report
- · BMO statements on current issues



Awards and Recognition¹

50 Most Engaged Workplaces in North America® – Achievers

Arts Champion Award – Winnipeg Arts Council

Best 50 Corporate Citizens in Canada – Corporate Knights

Best Award for Corporate Learning – Association for Talent Development

Best Commercial Bank in Canada – World Finance

Best Employers for Diversity (United States) and Best Employers for Women (United States) – Forbes

Best ESG reporting by an asset or fund manager, BMO Global Asset Management – Environmental Finance

Best Places to Work for LGBTQ Equality – Human Rights Campaign

Best Smaller Fund in the Global Growth category, BMO Sustainable Opportunities Global Equity Fund – *Money Observer*

Best Workplaces in Canada – Great Place to Work® Institute

Bloomberg Gender-Equality Index

Corporate University Best-in-Class Award, Learning Organization of the Year – Corporate Learning Network Corporation of the Year (Canada) – Canadian Gay and Lesbian Chamber of Commerce

Corporation of the Year Nominee (Canada) – Canadian Aboriginal and Minority Supplier Council

Disability Equality Index – American Association of People with Disabilities

Dow Jones Sustainability Index, North America

Euronext World 120 Index - Vigeo Eiris

Excellence in Governance Award for Best Practices in Subsidiary Governance – Governance Professionals of Canada

FTSE4Good Index Series - FTSE Russell

Gold Award, BMO Celebrating Women: She's Newsworthy Media Partnership with Post Media – Marketing Council of Canada Sponsorship Marketing Awards

Gold Award, Best Advance in Executive Development – Brandon Hall Group

Gold certification in Progressive Aboriginal Relations – Canadian Council for Aboriginal Business

Honorary Fellow – The Royal Conservatory of Music

Innovatio Awards in Litigation Management and Best Practices in Compliance Systems categories – Canadian Lawyer InHouse

ISS ESG Corporate Rating Prime Label – ISS ESG

Lead Manager of the Year, Sub-sovereigns, Supranationals and Agencies, Sustainability Bonds category – *Environmental Finance* Bond Awards

Leadership in Greener Purchasing Award, Financial Sector (2018) – Grand & Toy

Most Improved Supplier Diversity Program (Canada) – Women Business Enterprise Canada

Noteworthy Companies for Diversity – DiversityInc

Power 50 Award – National Diversity Awards (United States)

STOXX ESG Indices

Top Corporate Partner Award – United Way of Metropolitan Chicago

U.S. President's Volunteer Service Award – Junior Achievement

Visionary Award for Innovation in Shared Value – WomenCorporateDirectors Foundation

World's Most Ethical Companies® – Ethisphere® Institute

¹ Sustainability-related. All awards are from 2019 unless otherwise indicated. For a complete list, refer to Awards and Recognition on our corporate website.



How We Create Value

At BMO, we believe that profit and progress go hand in hand. This graphic demonstrates how value flows into and is amplified by BMO. BMO's operating groups draw on various types of resources, or 'capitals', to fufill our objectives. Working through the lens of our Purpose and our foundation of good governance, our business activities generate long-term value for our stakeholders by transforming these inputs into positive financial, social, and environmental outcomes. This graphic is inspired by the International Integrated Reporting Council's Integrated Reporting (IR) Framework.

TYPES OF CAPITAL >	OUR BUSINESS >	HOW WE CREATE VALUE >	OUTCOMES		
Financial We are stewards of capital and we work to generate financial returns for our investors and customers.			\$4.06 annual dividends declared per share in 2019	7.8% five-year average annual shareholder return	52 enterprise-wide Net Promoter Score® in 2019
Human and Intellectual We help people adapt and thrive by embracing diversity and investing in the development of our nearly 45,000 employees.	Personal and Commercial Banking		\$8.4 billion in salaries, benefits and other compensation in 2019 87% Employee Engagement Index score by 2020	40% gender equity in senior leader roles by 2020 10.7% enterprise-wide voluntary turnover in 2019	\$86.8 million invested in training in 2019 44% open positions filled by internal candidates in 2019
Social and Relationship We foster the economic and social well-being of the communities in which we live, work and do business.	BMO Wealth Management BMO Capital Markets	Boldly Grow the Good in business and life	\$2.3 billion in taxes and levies paid in 2019	\$400 billion mobilized for sustainable finance by 2025	\$5.7 billion in goods and services purchased in 2019
We work with our customers to help them achieve their goals and ensure a sustainable future for all.	Corporate Services		\$10 billion in loans to Canadian small businesses and at least 40,000 U.S. small business customers by 2025	\$67.2 million▲ in donations in 2019	\$3 billion made available to women entrepreneurs 2018–2021
Natural			\$235 million ↑ in loans made available under BMO's On-Reserve Housing Loan Program in 2019	US\$5.4 billion assets held in ESG Specialist Strategies Funds in 2019	149,199 MWh renewable energy certificate purchased in 2018
We use natural resources responsibly, and we consider the environmental impacts of our business and operations.			US\$9.4 billion in sustainable bond underwriting in 2019	\$7 million invested in energy efficiency projects in 2018	15% reduction in carbon emission by 2021 from a 2016 baselin

FOUNDATION OF TRUST

To continue to create long-term value, we act with integrity, communicate with transparency and uphold the highest standards of sound, ethical governance.

This ensures we can continue to earn the trust of our stakeholders and gives us a strong foundation to deliver on our Purpose and collaborate to create positive change.

Index

GOVERNANCE

RISK MANAGEMENT

- Board: oversight of sustainability governance by Audit and Conduct Review Committee; climate-related risk training for all directors
- Management committees:
 Sustainability Council, Sustainable
 Finance Steering Committee,
 Global Investment Committee,
 Risk Management Committee
- Management: General Counsel, Chief Sustainability Officer, Chief Risk Officer, Head of Sustainable Finance, Global Chief Investment Officer

Current State

 Incorporated climate change risk into the enterprise risk taxonomy

STRATEGY

- Launched climate-related scenario analysis pilot
- Launched Sustainable Finance team
- Continued to support development of climate change knowledge and expertise internally and externally

Current State

- Internal policies, financing guidelines and client due diligence
- Climate-related risk considerations embedded in ESG integration for asset management
- Active engagement on climate stewardship program, including support for Climate Action 100+
- Operational environmental management system including carbon neutrality

METRICS AND TARGETS

Current State

- Carbon neutral since 2010¹
- Committed to mobilize \$400 billion for sustainable finance by 2025
- Quantified carbon-related assets in lending portfolio²

2020 and Beyond

Current State

- Continue to inform Board about risks and opportunities related to climate change
- Continue to build capacity and strengthen climate change risk management governance

2020 and Beyond

- Expand scenario analysis program and leverage results to inform strategic responses
- Advance our sustainable finance strategy and work with our clients to capture opportunities

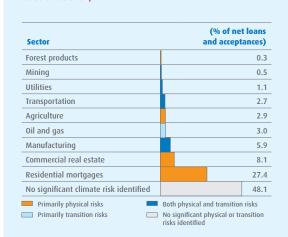
2020 and Beyond

 Continue to develop environmental and social risk policy framework, including guidance on climaterelated risks

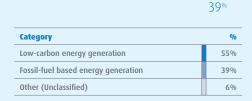
2020 and Beyond

- Maintain carbon neutrality
- Achieve 15% emission reduction target by 2021, relative to 2016
- Develop business-relevant metrics and indicators to assess impact

Sensitivity to Climate Risk of BMO Lending Exposures, as at October 31, 2019



BMO Lending to Power Generation³, as at October 31, 2019



55%

3 Power generation is a subset of utilities, excluding water utilities, independent power producers, and electricity transmission and distribution companies. The share of low-carbon energy generation is calculated on a client-by-client basis using the most recently publicly available information on energy source.

\$400 billion

BMO will mobilize \$400 billion for sustainable finance by 2025

3.3%

6%

of lending portfolio is to carbon-related assets²

- BMO's carbon neutral strategy includes reducing emissions, investing in renewable energy and purchasing high-quality carbon credits.
- 2 The value of net loans and acceptances connected to the energy and utilities sector, excluding water utilities, independent power producers, electricity transmission and distribution companies, renewable electricity producers, and nuclear electricity producers. The amount is expressed as a percentage of total net loans and acceptances.

The graphs at the right summarize BMO's evolving approach to climate change risk and opportunity. Refer to BMO's Climate Report for more information.

Our Approach to Climate Change

At BMO, we recognize that climate

change is one of the major global

challenges of our time. In January

to publicly announce its support

for the Financial Stability Board's

Disclosures (TCFD). Since then, we

risk and opportunity. In 2019, we

implement the recommendations

of the TCFD and published a Climate Report which is included as a Special

have taken concrete action to

Supplement on page 70 of our

2019 Sustainability Report.

2018, BMO was among the first banks

Taskforce on Climate-related Financial

have advanced innovative approaches

to managing climate-related financial



Sustainable Development Goals

At BMO, our Purpose is inspired by the SDGs, and they are shaping our business and sustainability activities. BMO contributes to achieving the 17 SDGs through our commitments to growing the good for a sustainable future, a thriving economy and an inclusive society, and through our efforts to build a foundation of trust that is supported by all of our stakeholders. We believe we can have the greatest impact on the SDGs that we contribute to in more ways than one and that align with our strategic priorities. As such, we focus our efforts on the seven SDGs shown here.

The United Nations Sustainable Development Goals (SDGs) make a universal call to action to end poverty, protect the planet and ensure that all people are able to enjoy peace and prosperity. To succeed in achieving the SDGs, business and finance must be focused on achieving positive social, environmental and economic outcomes.



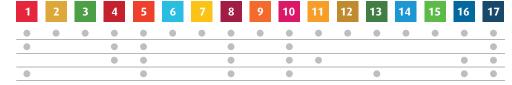
Goals Our Contribution



Sustainable Development Goals

INSTITUTIONS

Growing the Good for a Sustainable Future Growing the Good for a Thriving Economy Growing the Good for an Inclusive Society Building a Foundation of Trust





Partnerships for the Goals

In alignment with SDG 17 (Partnerships for the Goals), BMO is committed to playing a role as a convener and catalyst in support of progress toward achieving the Sustainable Development Goals. We engage with stakeholders across our value chain to mobilize and share knowledge, expertise, technology and financial resources. By working together, we can apply our influence and capabilities to develop the knowledge, resources and consensus necessary to achieve positive global outcomes.



BMO participates in many industry working groups and multi-stakeholder partnerships that are developing innovative approaches to addressing sustainability challenges. A comprehensive list is included in the GRI Index (102-12, 102-13), on page 91. In 2019, BMO participated in the following initiatives:

- Canadian Bankers Association TCFD
 Working Group BMO is participating in a
 forum for the industry to develop, share
 and disseminate best practices for climaterelated disclosures that align with the
 recommendations of the Financial Stability
 Board's Task Force on Climate-related
 Financial Disclosures (TCFD).
- Equator Principles BMO has been a signatory to the Equator Principles since 2005 and represents North America on the Equator Principles Steering Committee.
- UNEP-FI TCFD Pilot Project for Banks BMO is participating in Phase 2 of a TCFD banking pilot launched by the United Nations Environment Programme Finance Initiative (UNEP FI) to enhance the existing TCFD toolkit (including scenarios, data and methodology, reporting and governance), and establish the leadership position of UNEP FI as an essential platform for advice and dialogue.
- UNEP-FI Positive Impact Working Groups BMO is involved in two working groups focused on developing and implementing frameworks, methodologies and tools to drive and scale positive impact in corporate finance and investments.
- United Nations Women's Empowerment Principles (WEP) – In 2019, BMO was the first Canadian bank to become a signatory to the UN WEPs, affirming our commitment to advancing economic opportunities for all and empowering women and girls.
- United Nations LGBTI Standards of Conduct for Business – BMO pledged support for the UN LGBTI Standards of Conduct for Business, guiding companies in meeting their responsibility to respect Lesbian, Gay, Bi, Trans and Intersex (LGBTI) people.

Thought Leadership

Sustainability Leaders Podcast

BMO has launched a podcast that supports and enhances the conversation about corporate sustainability by presenting interviews with corporate practitioners, investors, scholars and the NGO community. More information.

Studying Sustainable Finance: A Series

BMO Capital Markets released a series of articles that examine what's driving sustainable finance, why more innovative financial products are needed, and how financial institutions can play a meaningful part in changing the world. More information.

BMO Equity Research: ESG analysis

BMO's Equity Research department began incorporating ESG analysis into its research product to provide clients with a more holistic picture of companies under coverage. In 2019, BMO published an analysis of the environmental and social trends facing the Canadian oil and gas industry. BMO Capital Markets and the Canadian Association of Petroleum Producers hosted a panel discussion on the topic, with participation by senior corporate executives, industry experts and government representatives.

ESG Viewpoints

BMO Global Asset Management regularly publishes ESG <u>Viewpoints</u> research pieces on its website. In 2019, the Responsible Investing team published ESG Viewpoints including ones that set out our strategic approach on the Sustainable Development Goals and on Climate Change.

BMO GAM Investment Conference 2019

Responsible investment was the theme of BMO Global Asset Management's 2019 client conference, which focused on what a sustainable world and investment industry looks like.

More information: http://www.bmosustainabilityleaders.com/

More information: https://capitalmarkets.bmo.com/en/news-insights/institutional-investing/sustainable-investing-reimagining-products-lasting-benefit/?j=4731420&sfmc_sub=9479398&8l=99560_HTML&u=107551433&mid=1336910&jb=1

BMO Global Asset Management ESG Viewpoints: https://bmogamviewpoints.com/



Engaging Our Stakeholders

Actively engaging with stakeholders is essential if we are to succeed in growing our business and delivering on our Purpose. Our primary stakeholders are groups that are either currently affected by our business operations or are able to have some influence on our future actions. We engage with these groups in the course of our day-to-day business operations and through activities that specifically address key sustainability topics. Here are some examples:

Stakeholder Group	Ways We Engage		Key Topics in 2019		
Customers	Advisory panels and focus groups Complaints management processes North American Client Contact Centre Customer experience surveys	Net Promoter Score programs Dedicated mailboxes Meetings, phone calls and email correspondence Social media Conferences and webinars	#makeiteasy for our customers (page <u>59</u>) Issues resolution (page <u>60</u>)	Vulnerable customer program (page <u>56</u>) Support for women entrepreneurs and small businesses (page <u>32</u>)	
Employees	Annual BMOPulse engagement survey Ad hoc surveys and focus groups Senior leader internal blogs Town halls and team meetings Enterprise Resource Groups Internal grievance mechanisms	 Dedicated mailboxes BMOCentral intranet Topic-specific training, such as annual Ethics, Legal and Compliance training, and diversity and inclusion training BMO University 	Articulating and launching our Purpose (page 64) Upskilling and reskilling for the future of work (page 38) Simplifying the way we work (page 36)	 Rethinking performance management conversations (page 36) Diversity and inclusion (page 42) Business conduct (page 54) Privacy and information security (page 62) 	
Shareholder and Investor Community	Annual meeting Quarterly earnings conference calls Investor conferences Biennial institutional shareholders' luncheon with Board Chair (held January 2019)	Meetings, phone calls and email correspondence Shareholder proposals Investor Relations website BMO Global Asset Management engagement activities (page 22)	Linking ESG and executive compensation (page 66) Climate change and the Task Force on Climaterelated Financial Disclosures (TCFD) (page 70) Sustainable Development Goals (pages 8 and 22)	Sustainability disclosures, such as SASB reporting (page 79) Political contributions and lobbying activities	



Engaging Our Stakeholders cont'd

Stakeholder Group	Ways We Engage	Key Topics in 2019
Government and Regulators	Meetings, phone calls and email correspondence Regulatory submissions Public submissions to government consultations.	Climate change initiatives in the financial sector, such as the TCFD recommendations (page 70) Sustainable finance, such as the Canadian Expert Panel on Sustainable Finance (page 18) Sustainable Development Goals (page 8) Support for women entrepreneurs and small businesses (page 32)
Industry Associations	Industry association memberships Participation in industry working groups and technical committees Multi-stakeholder partnerships Industry forums, panels roundtables	Ethics and compliance (page 54) Climate change and TCFD recommendations (pages 7 and 70) Sustainable finance (page 18) Environmental management system standards (page 27)
Non-governmental Organizations (NGOs)	Participation in Conferences and forum working groups Multi-stakeholder partnerships	 TCFD recommendations (page 70) Sustainable Development Goals (page 8) Suppose Suppose S
Communities	Community partnerships Sponsorships and giving Volunteering	• Inclusive economic

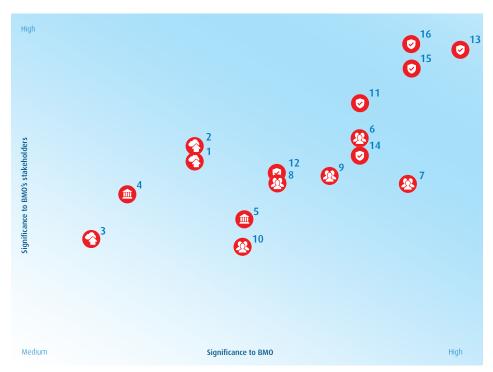


Materiality

BMO conducted a materiality assessment in 2017 that followed the identify/ prioritize/validate approach prescribed by the GRI. This assessment resulted in the development of a materiality matrix, in which the topics identified as important to our business and our stakeholders were prioritized. Details of this three-stage assessment approach and the related outcomes can be found in the GRI Index (102-46). BMO continuously engages with stakeholders and monitors trends to validate the relevance of the priority topics identified. We plan to conduct our next materiality assessment in 2020.

The 16 priority topics identified in our materiality matrix are grouped within the main sections of this year's report, each of which discusses a commitment that is aligned with our Purpose. Average survey scores (with a maximum of 4.00) are based on the extent to which stakeholders told us that a particular topic should be considered important to both BMO and our stakeholders, and are shown in parentheses.

In addition to the priority topics discussed in this report, we have included information related to sustainable finance (page 18), human rights (page 68) and climate change (page 70). While these three subjects were covered to some extent in previous years' reports, they have become more significant for both our organization and our industry since 2017, and thus are discussed in separate sections in this year's report. A materiality rating has not been calculated for these topics so they have not been plotted on our materiality matrix.



Growing the Good for a Sustainable Future

- 1 Responsible Investing (3.38)
- Responsible Lending (3.40)
- Reducing Our Environmental Footprint (3.05)

New topic Sustainable Finance

Growing the Good for a Thriving Economy

- 4 Access to Banking/Financial Inclusion (3.23)
- 5 Financial Literacy (3.13)

Growing the Good for an Inclusive Society

- 6 Diversity and Inclusion (3.45)
- 7 Talent Attraction and Retention (3.27)
- 8 Learning and Development (3.27)
- 9 Employee Engagement (3.30)
- 10 Contributing to Communities (3.02)

Building a Foundation of Trust

- 11 Corporate Governance (3.59)
- 12 Executive Compensation (3.29)
- 13 Business Conduct (3.80)
- 14 Customer Experience (3.38)
- **15** Consumer Protection and Transparency (3.73)
- 16 Cyber Security, Information Security and Privacy (3.82) Additional topics Human Rights, Climate Change

Sustainability Scorecard

Indicator definitions are listed in the Glossary of Terms on pages <u>108–111</u>.

Note

- 1. Fiscal year (November 1 to October 31), unless otherwise indicated.
- 2. As at September 30.
- 3. As at July 31.
- Based on normal employee turnover, a completion rate of 97% or above is considered to include 100% of the employee population (see definition of Ethics Training in the Glossary of Terms).
- 2018 NPS is restated to reflect changes in survey approach. In 2019, we shortened our surveys in line with best practice and focused on more digital feedback capture instead of phone-administered surveys.
- 2018 data was previously reported as at July 31 and has been restated as at October 31.
- 7. Minimum of 40% women and men in each line of business.
- Greenhouse gas emissions data is verified by an independent third party.
 The verification statement is available online at: Environmental Performance.
- 9. Available online in June 2020 at: Environmental Performance.
- 10. Versus fiscal 2016, adjusting for weather and emissions factors.
- 11. Target to offset 90% of Scope 2 location-based emissions through the purchase of renewable energy certificates each year.
- Amounts for 2017 and 2018 have been restated due to timing of loan closings, timing of reports and receipt of new information.
- 13. As at October 1.
- 14. As at September 30.
- 2018 value is restated to adjust for entry-level roles (see definition of Open positions filled by internal candidates in the Glossary of Terms).

2019 data for this metric has been externally assured.

Priority Topics and Associated Metrics	2019¹	2018 ¹	2017¹	Target (if applicable)
Access to Banking				
Number of women-owned businesses – Canada (total #)	109,3772	-	-	
Loans to women-owned businesses – Canada (\$ millions)	8,510 ³	-	-	\$3 billion by June 2021
Business Conduct				
Ethics training (% completion)▲	99.7	99.7	99.7	97%4
Significant fines or monetary sanctions▲	0	0	0	
Contributing to Communities				
Donations – Canada and United States (\$ millions)▲	67.2	63.5	62.3	
Employee volunteer hours	18,394	19,500	17,000	
Total raised through BMO Employee Giving Campaign (\$ millions)	22.8	22.3	21.6	
Corporate Governance				
Average tenure of members of Board of Directors (years)	8	8	8	
Women on Board of Directors (% of independent directors)	35.7	35.7	41.7	No less than 1/3
Customer Experience				
Average time to complete Banking reviews by BMO's Office of the Ombudsman (days)	37	37	63	
Average time to complete Investment reviews by BMO's Office of the Ombudsman (days)▲	41	43	95	
Customer loyalty surveys completed	1,168,955	350,937	301,094	
Banking reviews completed by BMO's Office of the Ombudsman (total #)▲	350	250	247	
Investment reviews completed by BMO's Office of the Ombudsman (total #)▲	52	41	56	
Net Promoter Score® (NPS) – enterprise-wide	52	475	36	
Cyber Security, Information Security and Privacy				
Substantiated complaints regarding breaches of customer privacy and losses of customer data (total #)	4	96	6	

 $\textbf{Environmental Performance:} \ \text{https://corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances/per$

Sustainability Scorecard cont'd

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- 2018 value is restated to adjust for entry-level roles (see definition of Open positions filled by internal candidates in the Glossary of Terms).
- 2019 data for this metric has been externally assured.

Priority Topics and Associated Metrics	2019¹	2018 ¹	20171	Target (if applicable)
Diversity and Inclusion				
Gender equity in senior leader roles – Canada and United States (%)▲	41.1	39.7	40.1	40% by 2020 ⁷
Indigenous employees – Canada (% of total workforce)▲	1.2	1.1	1.2	1.6% by 2020
Minorities in senior roles − Canada (%)▲	33.6	31.9	29.2	30% by 2020
People of color in senior roles – United States (%)▲	19.4	17.8	16.0	20% by 2020
Persons with disabilities – Canada and United States (% of total workforce)▲	4.2	3.9	3.6	4.5% by 2020
Women in executive officer roles (%)	30.8	23.1	21.4	
Women in workforce (%)	55.1	55.6	56.3	
Employee Engagement				
Annual employee survey participation rate (%)▲	89	90	90	
Employee Engagement Index (EEI) (%)▲	85	84	83	87% by 2020
Environmental Footprint				
Scope 1 emissions data (tCO ₂ e) ⁸	TBD ⁹	42,883	38,065	
Scope 2 emissions data (tCO ₂ e) ⁸	TBD ⁹	99,062	103,350	15% reduction by 2021 ¹⁰
Scope 3 emissions data (tCO ₂ e) ⁸	TBD ⁹	21,391	21,834	
Use of purchased renewable energy certificates (RECs) (MWh)	TBD ⁹	149,199	158,749	90% of Scope 2 emissions
Financial Inclusion				
Business with Indigenous customers – Canada (\$ millions)▲	2,739	-	-	
Community development loans – United States (US\$ millions)	630.2	749 ¹²	798 ¹²	
Community development investments – United States (US\$ millions)	229.8	169.0	190.3	
First Nations participating in BMO's On-Reserve Housing Loan Program − Canada (total #)▲	120	110	102	
Indigenous communities with which BMO has a relationship – Canada (total #)	248	225	-	
Loans made available under BMO's On-Reserve Housing Loan Program – Canada (\$ millions)	235	225	226	
Financial Literacy				
Participants in financial literacy sessions offered by BMO Harris – United States (total #)	8,500	18,907	8,281	
Human Rights				
Employee training on human rights policies or procedures (total hours)	30,654	17,515	20,598	

 $\textbf{Environmental Performance:} \ \text{https://corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances/environmental-stewardship/environme$

Sustainability Scorecard cont'd

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- 2018 value is restated to adjust for entry-level roles (see definition of Open positions filled by internal candidates in the Glossary of Terms).

2019 data for this metric has been externally assured.

Priority Topics and Associated Metrics	2019¹	2018 ¹	2017 ¹	Target (if applicable)
Learning and Development				
Average training hours per full-time equivalent employee (# of hours)▲	25.8	25.0	23.7	
Employees receiving regular performance and career development reviews (%)	10013	100 ¹³	-	100% annually
Investment in training (\$ millions)▲	86.8	78.1	71.6	
Responsible Investing				
Assets under management in ESG Specialist Strategies Funds (US\$ billions)	5.414	2.914	2.414	
Third-party assets under advice (US\$ billions)	16114	16014	-	
Sustainable Finance				
Participation in renewable energy equity and debt financing (\$ billions)▲	7.9	6.8	6.4	
Renewable energy – loan commitments (\$ billions)▲	4.2	3.9	4.2	
Sustainable bond underwriting (US\$ billions)	9.4	6.3	0	
Talent Attraction and Retention				
Open positions filled by internal candidates (%)	44	4615	53	
Voluntary turnover rate – enterprise-wide (%)▲	10.7	10.9	11.1	

 $\textbf{Environmental Performance:} \ \text{https://corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship/enviro-targets-performances/environmental-stewardship-environmental-steward$





Solving global challenges will require the mobilization of sustainable capital. Animated by the UN Sustainable Development Goals, BMO is committed to partnering with others and mobilizing capital to realize positive change and make progress toward achieving these goals - to grow the good for a sustainable future.



\$4.2 billion* 778

loan commitments to renewable energy entities and projects

companies engaged on ESG issues

US\$9.4 billion

in sustainable bond underwriting

Alignment with SDGs













Sustainable Finance

Priority Topics

in This Section

Responsible Investing Responsible Lending

Reducing Our Environmental Footprint













Stronger Bonds

BMO's collaboration with the World Bank on sustainable development bonds is part of a broader commitment to creating investment opportunities within an ESG framework. To build a sustainable future, we need to start working today. And the challenge for many investors is how to transform that belief into concrete action. That's why BMO, in bringing to life the Purpose that drives our bank, has committed to mobilizing \$400 billion in sustainable finance to help enterprises in a diverse range of sectors pursue sustainable outcomes.

One of the most effective tools for investing in positive social and environmental change is the sustainability bond. And an acknowledged leader in this type of investment is the World Bank, which for seven decades has led the world in development finance through bonds issued by the International Bank for Reconstruction and Development (IBRD). Supported by 189 member countries, the IBRD has in recent years issued between US\$50 billion and US\$60 billion annually in bonds aimed at ending extreme poverty and boosting shared prosperity.

Since 2018, the World Bank has issued five sustainable development bonds denominated in Canadian dollars. BMO is the only bank to have book-run all five, helping to provide over \$5.5 billion in financing for initiatives aligned with the United Nations Sustainable Developments Goals (SDGs – see page 8). In recognition of these efforts, BMO Capital Markets was named 2019 Lead Manager of the Year in Sustainability Bonds by *Environmental Finance*, a respected source of reporting and analysis on responsible investing.

LANDMARK SUSTAINABLE DEVELOPMENT BONDS

We partnered with the World Bank on three sustainable development bond issues in 2019 to raise awareness for pressing development challenges. The first, launched in January, raised \$1.5 billion to support the financing of World Bank's sustainable development programs, including those that improve the health and nutrition of women, adolescents and children. This engagement with investors focused on raising awareness for two of the UN goals: SDG3 - Ensure healthy lives and promote well-being for all; and SDG5 - Achieve gender equality and empower all women and girls. The largest bond ever issued in the Canadian market by a sovereign supranational agency, it was more than 1.5 times oversubscribed and ultimately placed with more than 40 institutional investors worldwide.

The World Bank's second Canadian dollar bond of the past year, issued in July 2019, focused on two objectives: SDG6 - Ensure availability and sustainable management of water and sanitation for all; and SDG14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development. As the largest multilateral funder for oceans and water projects in developing countries, the World Bank is committed to ensuring that communities have access to safe, clean water, and that Earth's oceans - which cover more than two-thirds of the planet, yet are only 2% protected - can sustain livelihoods even as we act to combat pollution, overfishing and other threats. The five-year bond, sized at \$1.5 billion, had more than \$1.85 billion of demand and was allocated among 47 investors globally. In September, this bond was re-opened by an additional \$300 million, alongside a rare offering of a new \$250 million 10-year tranche, highlighting the same water- and ocean-focused SDGs.

COMMITTED TO BUILDING A BETTER FUTURE

World Bank bonds represent one key component of BMO's overall sustainable investment strategy. In October 2019, our bank originated our own three-year, US\$500 million sustainability bond targeting a range of environmental and social development areas, from renewable energy and sustainable land use to support for women-owned businesses and Indiaenous communities. The first bond of its kind issued by our bank, it was a significant step forward in our commitment to mobilize \$400 billion for sustainable finance by 2025: \$250 billion in client investments for which we act as advisors and managers, and \$150 billion in capital that we provide to companies pursuing sustainable outcomes.

In addition, during the past year we launched an impact investment fund, with \$250 million in seed capital, to identify viable solutions to sustainability challenges and take them to scale. In all of these efforts, the SDGs provide a globally recognized frame of reference for setting priorities, communicating with investors and benchmarking success – just as they do for our collaborations with the World Bank, which we expect to build upon going forward.

"The World Bank is an undisputed innovation leader in global markets," says Rob Yeung, Managing Director and Head of Global Fixed Income, Currencies and Commodities with BMO Capital Markets. "For BMO to have been chosen as a bookrunner on these World Bank Canadian-dollar issues is a tremendous honour and a testament to the strong partnership we've forged over the years. Our teams work closely and effectively together, because we're aligned in our values and in our shared commitment to creating a more sustainable future."



SUSTAINABLE FINANCE

By applying the full range of our capabilities in the area of sustainable finance, we can help our customers navigate the transition to a more sustainable economy and support widespread progress toward achieving the Sustainable Development Goals (SDGs). We believe sustainable finance is an area of expanding opportunities, in which BMO is well positioned to differentiate itself in pursuit of long-term prosperity.

Framing the topic

What we mean by sustainable finance:

An area in which all participants in the financial industry can come together, convening and mobilizing capital to address global problems effectively and help ensure a sustainable future. Our definition of this area includes investment and financing services and operations that have an environmental, social or governance (ESG) impact, or that integrate ESG criteria into decision-making.

Who has responsibility: BMO's Head of Sustainable Finance with support from the Chief Sustainability Officer and with guidance from BMO's Sustainable Finance Steering Committee (which is comprised of senior executives from BMO Capital Markets, Wealth Management, Global Asset Management and our Canadian Commercial Banking and Canadian Business Banking groups, as well as BMO's General Counsel and Treasurer).

OUR APPROACH

BMO is committed to playing a leading role in sustainable finance by providing solutions that help our clients build a prosperous and sustainable future.

For many years, we have offered our clients innovative solutions to fund initiatives that can generate positive and sustainable environmental and social outcomes. For example:

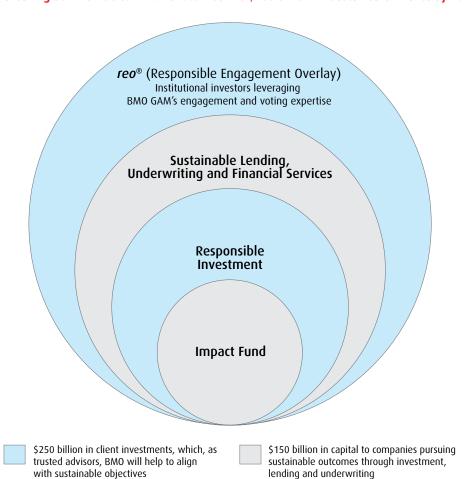
- Underwriting sustainable finance transactions, including green bonds, social bonds and sustainability bonds.
- Integrating ESG considerations into the decision-making and ownership practices involved in our investment, asset management, financing and lending activities, where appropriate.
- Designing and offering specialized products and services that are more accessible to underserved and remote groups of people, including Indigenous communities, people with disabilities, women and low-income communities.

Since 2015, BMO Global Asset Management has been an investor member supporting the Green Bond Principles (GBP) and adhering to the voluntary GBP guidelines for designating, disclosing, managing and reporting on the proceeds of green bonds. BMO is a GBP underwriter member.

Our Bold Commitments

- Mobilize \$400 billion for sustainable finance, including:
 - \$250 billion in client investments, which BMO, as trusted advisors, will help to align with sustainable objectives;
 - \$150 billion in capital to companies pursuing sustainable outcomes through investment, lending and underwriting
- Offer products and advisory services that help our clients chart a path to greater sustainability
- Create an impact investment fund to identify and build out solutions for the sustainability challenges faced by our clients, and seed the fund with \$250 million in capital

Breaking Down BMO's Commitment to Mobilize \$400 Billion for Sustainable Finance by 2025



In order to deliver on our Purpose, BMO made a commitment to mobilize \$400 billion for sustainable finance by 2025. Our efforts are being guided by a newly formed Sustainable Finance team, which brings together existing capabilities in BMO Capital Markets and BMO Global Asset Management, and is supported by BMO's Sustainability Office. The mandate of the Sustainable Finance team is to build client engagement and identify opportunities for new products and services as the sustainable finance market grows. Its initial strategy and working model include these short-term priorities:

- Including sustainable finance in BMO's core business by integrating it into strategic planning, target-setting, reporting and communications.
- Developing and implementing systems and processes to track progress toward our sustainable finance commitments.
- Expanding and leveraging our responsible investing business.
- Building an impact investing capability to help clients identify sustainability challenges and invest in companies that are working to develop solutions.
- Building an advisory capability to help BMO Capital Markets and BMO Commercial Banking clients understand the issues that concern investors, so that they can improve their performance and demonstrate progress in those areas.

Related BMO policies, statements and reports

· BMO Sustainable Financing Framework

HIGHLIGHTS

BMO's Sustainable Bond Program

In 2019, BMO established a Sustainable Bond Program to support our Purpose and our sustainable finance commitment. 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 enterprisewide focus on sustainability at BMO.

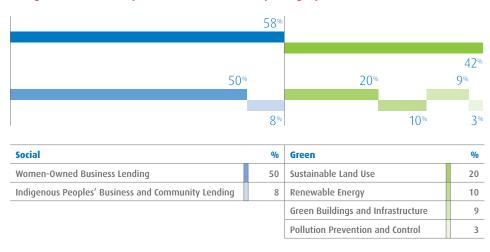
We published a <u>Sustainable Financing</u>
<u>Framework</u>, which is aligned with the 2018
Green Loan Principles issued by the Loan
Market Association, as well as the 2018
Green Bond Principles, 2018 Social Bond
Principles and 2018 Sustainability Bond
Guidelines issued by the International Capital
Markets Association. This framework sets
out eligibility criteria for sustainable finance
transactions, including green bonds, social
bonds and sustainability bonds. Within one
year of issuing a sustainability bond, BMO
is committed to reporting on the use of the
proceeds and, where feasible, on any
positive outcomes.

Shortly after publishing the Sustainable Financing Framework, BMO issued its inaugural USD\$500 million 3-year sustainability bond. The bond was focused on eight of the 17 SDGs: SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 7 (Affordable and Clean Energy), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action) and SDG 15 (Life on Land).

It included the following green and social asset categories:

- Women-Owned Business Lending
- Indigenous Peoples' Business and Community Lending
- Renewable Energy
- Pollution Prevention and Control
- Sustainable Land Use
- Green Buildings and Infrastructure

Inaugural Sustainability Bond Selected Assets by Category, as at Time of Issuance



BMO Sustainable Financing Framework: https://www.bmo.com/home/about/banking/investor-relations/fixed-income-investors/funding-programs





BMO won Lead Manager of the Year, Sub-sovereigns, Supranationals and Agencies, in the Sustainability Bonds category at the *Environmental Finance* Bond Awards 2019. Winners in this category were determined by an independent panel of judges drawn from some of the largest investors in the green, social and sustainability bond markets.

Sustainable Finance Highlights

BMO Capital Markets is committed to being a leader in sustainable finance. In 2019, BMO participated in US\$9.4 billion of sustainable bond underwriting. Examples include:

- Partnered with the World Bank (International Bank for Reconstruction and Development, IBRD) on two sustainable development (SD) bonds which were part of a World Bank initiative to engage with investors on the SDGs. These include:
- Acted as joint lead manager for a World Bank (IBRD) Sustainable Development Bond that helped to raise awareness for SDG 6 (Clean Water and Sanitation) and SDG 14 (Life Below Water). The fiveyear bond raised \$1.5 billion from 47 institutional investors to finance the World Bank's sustainable development lending. As the largest multilateral funder of projects in developing countries related to water and the oceans, the World Bank works with countries to ensure access to clean water and the sustainable use of global marine resources. This includes working with countries to keep pollution from reaching the oceans by adopting better waste management practices. This transaction was re-opened in September, alongside a new \$250 million 10-year bond.
- Acted as joint lead manager for a World Bank (IBRD) Sustainable Development Bond that helped to raise awareness for the long-lasting benefits of investing in the health and nutrition of women, children and adolescents. These priorities are linked to SDG 3 (Good Health and Well-being) and SDG 5 (Gender Equality). The three-year bond raised \$1.5 billion from 43 institutional investors.
- Acted as joint lead manager for an International Finance Corporation (IFC) green bond issuance. Proceeds for the \$750 million 5-year bond were allocated to climate-related projects in alignment with SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).
- Participated in Ontario Power Generation's \$500 million green bond issuance. In alignment with SDG 7 (Affordable and Clean Energy), proceeds were used to contribute to financing the acquisition of Eagle Creek Renewable Energy LLC, which operates one of the largest run-of-the-river hydroelectric fleets in the United States.

- Acted as joint lead manager and bookrunner for Algonquin Power and Utilities Corp's \$300 million inaugural green bond issuance. In alignment with SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation and Infrastructure), proceeds are used to finance and/or refinance investments in renewable power generation and clean energy technologies.
- Acted as joint lead manager and bookrunner on the Province of Ontario's \$950 million green bond issuance. In alignment with SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action), proceeds are used to finance public transit initiatives, extreme-weather resilient infrastructure, and energy efficiency and conservation projects.
- Acted as joint lead and bookrunner on Quebec's green bond issuance. In alignment with SDG 11 (Sustainable Cities and Communities), proceeds are used to fund the construction of the integrated transportation network Réseau express

- métropolitain (REM). The REM will serve high-frequency stations 20 hours a day, seven days a week with a fully automated, 100% electric metro transit system, made up of 67 kilometres of dedicated rail lines in the Greater Montreal area.
- BMO Capital Markets' Infrastructure group acted as co-lead and joint bookrunner on the private placement financing of CBHP Limited Partnership, which was established to design, build, finance and maintain the 600,000-square-foot Corner Brook Acute Care Hospital in Newfoundland. The transaction is a Canadian public-private partnership bond issuance consisting of a \$23.5 million 10-year medium-term senior bond and a \$263 million 34-year long-term senior bond. The project will provide access to health care services for almost 80,000 people, in alignment with SDG 3 (Good Health and Well-being). The facility will be certified LEED Silver, in alignment with SDG 11 (Sustainable Cities and Communities).



US\$9.4 billion

BMO participated in US\$9.4 billion of sustainable bond underwriting

First Canadian Place, Toronto.



Renewable Energy Financing and Advisory

BMO Capital Markets' Power, Utilities and Infrastructure team is deeply knowledgeable about the North American renewable energy sector. Members of the team act as advisors on mergers and acquisitions, lead equity and debt financing transactions, and provide capital for project finance and other corporate facilities to companies that are active in the renewable energy sector.

In 2019, BMO Capital Markets participated in \$7.9 billion of renewable energy equity and debt financing and provided \$4.2 billion of loan commitments to renewable energy entities and projects, in alignment with SDG 7 (Affordable and Clean Energy). Examples include:

 Acted as financial advisor to Innergex Renewable Energy in connection with its agreement to sell its indirect 54% interest in Iceland's largest private power producer, HS Orka, to a company owned by a group of Icelandic pension funds. HS Orka owns two geothermal facilities (174 MW), a runof-river hydro project (10 MW) and a 30% equity interest in the Blue Lagoon Geothermal Spa and Resort in Iceland.

- Acted as joint lead arranger for syndicated credit facilities in the financing of a demand-side energy management company. Energy management companies focus on reducing energy demand during peak hours. Their services are classified as green business, since they support the achievement of state-mandated sustainability goals in the United States.
- Acted as syndication agent, joint bookrunner and coordinating lead arranger for syndicated credit facilities in the financing of a 480 MW portfolio of Quebecbased wind farm projects indirectly owned by Innergex Renewable Energy.
- Acted as administrative agent, sole bookrunner and sole lead arranger for syndicated credit facilities in the financing of a 58 MW Ontario-based wind farm project.
- Acted as administrative agent and mandated lead arranger for syndicated credit facilities in the financing of hydroelectric generation facilities based in British Columbia with a combined capacity of 49.5 MW.

\$7.9 billion*

Participated in \$7.9 billion of renewable energy equity and debt financing



 Acted as administrative agent, joint bookrunner, mandated lead arranger and collateral agent for syndicated credit facilities in the financing of a portfolio of 12 hydroelectric projects in Ontario with a combined capacity of 349 MW. Also acted as joint bookrunner and mandated lead for syndicated credit facilities in the financing of a portfolio of 4 additional hydroelectric projects in Ontario with a combined capacity of 488 MW.

\$4.7 billion*

Provided \$4.2 billion of loan commitments to renewable energy entities and projects Acted as administrative agent and mandated lead arranger for syndicated credit facilities in the financing of a minority equity ownership in a portfolio of 13 hydroelectric projects in Alberta with a combined capacity of 813 MW.



RESPONSIBLE INVESTING

At BMO, we have a duty to act as stewards of capital, in the best interests of our clients and investors. Integrating assessments of environmental, social and governance factors into our credit and investment analysis processes widens their scope, enables more informed decision-making and helps us deliver long-term returns for our clients and investors – while also generating positive social and environmental outcomes.

Framing the topic

What we mean by responsible investing:

Integrating environmental, social and governance (ESG) considerations into decision-making and ownership practices in our investment and asset management activities, and advising others to do the same.

Who has responsibility: At BMO Global Asset Management (GAM), our approach is overseen by our Global Investment Committee, which includes our Global Chief Investment Officer (CIO), CIO North America, and other senior investment officers from across BMO GAM and our regulated entities. Our Responsible Investment team comprises 17 experts responsible for implementing our responsible investing strategy.

At BMO Private Wealth, our Chief Investment Strategist oversees responsible investing activities, including assessing the responsible investing approaches that are incorporated into our investment strategies and establishing responsible investing criteria that are applied in our manager selection, oversight and due diligence processes.

BMO GLOBAL ASSET MANAGEMENT Our Approach

Our approach to responsible investing at BMO GAM is informed by national and international codes and standards, including the United Nations Principles for Responsible Investment (UNPRI), to which we are a founding signatory.

Responsible investing at BMO involves a commitment to:

- Integrate a consideration of relevant ESG issues into our investment analysis processes, in a form appropriate to each strategy and asset class, in order to gain a more comprehensive understanding of risk and long-term opportunity.
- Engage in dialogue with investee companies on their performance in relation to specific ESG criteria in order to limit our exposure to risk, support long-term investor value and generate positive social and environmental outcomes.
- Observe our corporate governance guidelines in all voting activities across our holdings¹.
- Take a transparent approach to our responsible investing activities, with both clients and the wider public.

Investment teams are responsible for identifying relevant material ESG factors and integrating them into their standard investment analysis processes, with the support of a dedicated Responsible Investment team. Fund managers and analysts have access to a range of ESG data and research, which they review systematically in order to identify any potentially significant risk exposures. Further analysis is then conducted to determine the relevance of these potential exposures in specific investment cases.

Our Responsible Investment team also informs investment teams about ESG issues in forums such as ESG integration webinars, which in 2019 focused on climate change, cyber security and corporate governance.

Engaging investee companies is a cornerstone of our approach to responsible investing. Our global engagement program addresses the themes of environmental standards, climate change, human rights, labour standards, business conduct, public health and corporate governance. Within these broad themes, we focused on five key areas in 2019, all of which are linked to the SDGs: protecting vulnerable workers, gender equality, climate change, biodiversity and water, and antimicrobial resistance.

Engaging investee companies is a cornerstone of our approach to responsible investing.

Active, engaged, responsible

778

Engaged with 778 companies

259

Held board-level meetings with 259 companies

272

Influenced change in the outcomes of 272 engagements



PROTECTING VULNERABLE WORKERS









GENDER EQUALITY













¹ These guidelines do not apply to Pyrford International Limited, BMO Global Asset Management Portugal S.A., and BMO Global Asset Management (Asia) Limited's Hong Kong-domiciled ETFs and other funds.



holdings.

At BMO GAM, we log all of our engagement activities, as well as any related outcomes, in real time in an online database. If our initial engagement efforts are unsuccessful, we consider escalation strategies, such as contacting the company's board of directors, using proxy voting, filing a resolution for consideration by the company's shareholders, reducing our investment or divesting our

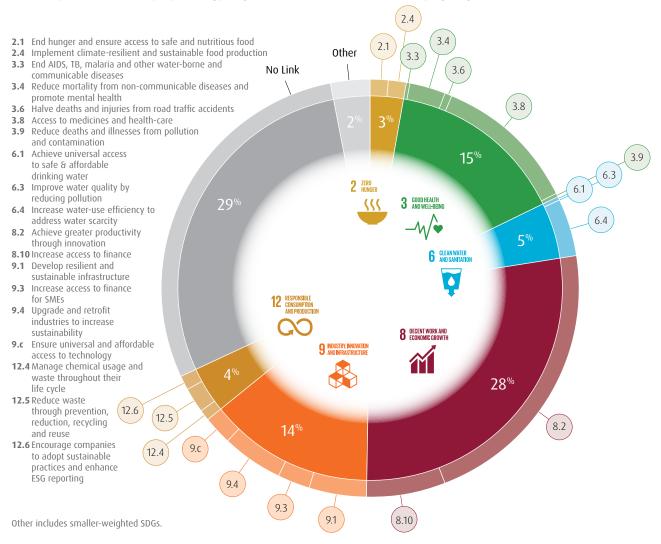
We report regularly on our engagement, voting, public policy and advocacy activities in ESG Viewpoint research articles and in our annual Responsible Investment Review. The review connects our engagement initiatives with instances of progress toward specific SDG targets, and also with the mitigation of any material risk exposures.

SDGs and **Engagement**

The Sustainable Development Goals are an important framework for planning and implementing our investor engagement program at BMO GAM. Initial planning began with a high-level mapping of our major engagement themes and their relation to specific SDGs. Our approach has since evolved, and we now use the SDGs as a framework for designing and carrying out engagements, in alignment with specific targets that are linked to each SDG. We also report on our engagements, and any related outcomes, at the same level of detail.

BMO Global Asset Management received the highest possible score (A+) for strategy and governance in an assessment of its performance on the UN Principles for Responsible Investment.

BMO Responsible Global Equity Strategy Alignment with the SDGs and Underlying Targets



ESG Specialist Strategies Funds

BMO GAM offers a range of ESG Designated Strategies Funds for institutional clients who wish to link their asset allocations to a strategy that assesses performance based on a clear set of sustainability principles, including the SDGs. We have developed stringent criteria to determine the eligibility of companies for investment under these strategies, and we publish these criteria on our website. We also review these criteria regularly, along with a range of related indicators, to ensure that they address any emerging or evolving critical issues or regulatory changes.

In addition, we offer thematic investment solutions, such as the Women in Leadership and Fossil Fuel Free funds, which seek to generate reliable long-term returns by investing in companies that are working to meet specific sustainability challenges. The Fossil Fuel Free fund was renamed the BMO Sustainable Opportunities Global Equity Fund in 2019.

Related BMO policies, statements and reports

- Global Asset Management Responsible Investment Approach
- Global Asset Management Corporate Governance Guidelines
- Global Asset Management Responsible Investment Strategies Summary Criteria
- Global Asset Management 2018 Responsible Investment Review
- Global Asset Management UNPRI Summary
 Assessment
- Global Asset Management Responsible Global Equity Strategy ESG Profile and Impact Report 2019
- · 2019 Climate Report (page 70)

US\$161 billion

reo® – total third-party assets under advice as at September 30, 2019

US\$5.4 billion

of assets held in the BMO Global Asset Management's ESG Specialist Strategies Funds as at September 30, 2019

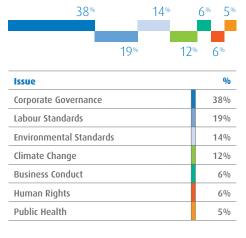
HIGHLIGHTS

- BMO GAM 2019 product launches included:
- The BMO SDG Engagement Global Equity Fund, which supports the achievement of the SDGs. This unique fund invests in a variety of small and mid-sized companies around the world, engaging with them to enhance their long-term performance, limit their exposure to risk and encourage an awareness of broader environmental and social issues. Only companies that show tangible signs of progress toward achieving SDG targets are eligible for inclusion in the portfolio.
- The BMO Sustainable Multi-Asset Income Fund within EMEA. This actively managed fund invests in equities, bonds and alternatives, and across the portfolio there is an emphasis on sustainability-related opportunities. It is built around the avoid, invest and improve ethos with defined screens and active engagement on underlying holdings.

- The BMO Sustainable Opportunities
 European Equity Fund, offering investors
 access to a high conviction portfolio of
 carefully selected European companies
 with each identified as making a positive
 contribution to society and the world we
 live in.
- Environmental Finance honoured BMO Global Asset Management with an award for Best ESG Reporting by an Asset or Fund Manager. The award recognized us for our comprehensive reporting package, which includes: an annual report reviewing our responsible investing activities for the year; fund-level impact reports; Viewpoint thought leadership articles from the Responsible Investment team; and full disclosure of voting positions. These reports and disclosures are published on the BMO Global Asset Management website.
- The transition to a lower-carbon economy was among the ESG topics examined at the BMO Global Investment Forum, an annual event at which our business leaders come together to discuss global macroeconomic trends. In addition, responsible investing was the theme of the 2019 BMO Global Asset Management client conference.

BMO Global Asset Management received the highest possible score (A+) for strategy and governance in an assessment of its performance on the UN Principles for Responsible Investment.

Company Engagement by Issue



Global Asset Management Responsible Investment Approach: www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/responsible-investment-approach.pdf
Global Asset Management Corporate Governance Guidelines: www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/corporate-governance-quidelines.pdf

Global Asset Management Responsible Investment Strategies Summary Criteria: www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/09/ri-investment-strategies-summary-criteria.pdf

Global Asset Management 2018 Responsible Investment Review: www.bmogam.com/wp-content/uploads/2019/04/responsible-investment-2018-review.pdf

Global Asset Management UNPRI Summary Assessment: www.bmogarn.com/us-en/institutional/wp-content/uploads/2019/04/responsible_investing_policy_and_assessment_report.pdf Global Asset Management Responsible Global Equity Strategy ESG Profile and Impact Report 2019: www.bmogarn.com/wp-content/uploads/2019/05/bmo-responsible-global-equity-strategy-esg-profile-and-impact-report-2019.pdf BMO SDG Enagaement Global Equity Fund: www.bmogarn.com/gb-en/intermediary/capabilities/responsible-investing/sdg/

BMO Global Asset Management website: www.bmogam.com/ca-en/institutional/capabilities/responsible-investing



BMO PRIVATE WEALTH

Our Approach

BMO Private Wealth offers investment services through BMO Private Investment Counsel, which provides discretionary investment counsel, and BMO Nesbitt Burns, a full-service brokerage. Investment decisions are made in the best interests of our clients, and are informed by our belief that incorporating a range of responsible investing strategies can have a significant impact on the creation of long-term investor value.

Both lines of business consider ESG criteria in their selection of investment managers and in their due diligence and oversight processes.

While investment managers determine the role of responsible investing in their strategies, every BMO Private Investment Counsel strategy incorporates one or both of the following approaches to responsible investing:

 Integrating ESG criteria into investment analysis processes in order to manage risks or exposures that are not reflected in conventional financial metrics. Engaging with the companies included in our investment portfolios and exercising our voting rights to influence senior management of investee companies to improve their sustainability performance.

The majority of managers engaged by BMO Private Investment Counsel are signatories to the UNPRI, which requires a commitment to the UNPRI's six principles for incorporating the consideration of ESG issues into investment practices.

The metrics we use at BMO Private Wealth for assessing the effectiveness of our investment managers' integration of ESG criteria are based on responses to an annual responsible investing survey conducted by BMO Private Investment Counsel and BMO Nesbitt Burns, as well as input from a third-party consultant that assigns ESG ratings to investment managers across a defined coverage area.

HIGHLIGHTS

- As at October 31, 2019, \$45 billion of assets under management in BMO Private Wealth were managed by sub-advisors that have incorporated at least one responsible investing approach into their strategy.
- BMO Private Investment Counsel provided training for its investment counsellors that covered the basics of responsible investing, as well as the responsible investing approaches incorporated into its various strategies.

RESPONSIBLE LENDING

Responsible lending is a powerful tool that can support both a dynamic economy and positive social change. BMO is committed to mitigating risk for ourselves and our clients, while helping to build the foundations of a sustainable future.

Framing the topic

What we mean by responsible lending:

Integrating environmental and social impacts and governance considerations into decision-making and financing and lending activities.

Who has responsibility: Responsible lending practices are managed by the lines of business within the BMO operating groups, subject to enterprise-level environmental and social risk governance.

OUR APPROACH

In BMO's approach to responsible lending, we provide companies with financial resources they can deploy to innovate, diversify and make progress toward building a sustainable lower-carbon economy, while carefully assessing and mitigating the associated social and environmental risks.

In applying our enterprise risk and credit risk management frameworks, we evaluate the environmental and social risks to which our clients may be exposed. We also have internal policies for our Commercial Banking and Capital Markets businesses that provide guidance on identifying, managing and mitigating these types of risk in financing transactions. Our internal guidelines are subject to regular and ongoing reviews.

Our lines of business submit environmental and social risk due diligence findings as part of their transaction approval processes. A higher level of environmental due diligence is applied in assessments of clients active in environmentally sensitive industries. This includes efforts to understand borrowers' climate change adaptation and mitigation strategies. In assessing social risks, we review the performance of a current or potential client in managing regulatory issues and other concerns related to stakeholder engagement and Indigenous consultation.

We will not extend loans for the international transfer of equipment for military or internal security purposes, and we will not finance companies that manufacture weapons banned by international arms control treaties to which Canada or the United States are signatories.

BMO is a signatory to the Equator Principles, a voluntary risk management framework for identifying, assessing and managing environmental and social risk in relation to financial transactions within its scope. As part of our Equator Principles commitments, we apply environmental and social screening and assessment process to categorize and assess projects based on the magnitude of their potential risks and impacts.

Evaluating exposure to risk in lending is an important concern for BMO, especially as we consider how we can best assist the transition to a lower-carbon economy and continue to support our clients in the energy sector. While acknowledging the importance of the energy sector to the country's national and regional economies, we also develop and adhere to robust environmental and social due diligence practices related to our customers' transactions, and we strive to help them chart a path toward greater sustainability.

In 2019, BMO reviewed and reinforced its management of climate-related risks and opportunities. This included conducting a sector-specific analysis across our lending portfolio to assess our overall exposure to industries with a significant sensitivity to climate change. Details are provided in our 2019 Climate Report.

Equator Principles Reporting

In fiscal 2019, BMO mandated one project finance advisory services transaction and closed four project finance transactions under Equator Principles III. The breakdown is as follows:

Related BMO policies, statements and reports

· 2019 Equator Principles Report

Sector	Category A	Category B	Category C	
Project Finance Advisory Services				
Total Mandated	0	1	0	
Project Finance				
Total Reaching Financial Close	2	2	0	

Further detail on BMO's Equator Principles transactions can be found in our Equator Principles Report available here.

2019 Equator Principles Report: corporate-responsibility.bmo.com/our-practices/responsible-lending



REDUCING OUR ENVIRONMENTAL FOOTPRINT

The future success of our business and our customers relies on a sustainable environment that can provide social and economic opportunities in the communities we serve. Our commitment to reducing the environmental impact of our operations is fundamental to growing the good for a sustainable future, and presents us with opportunities to engage our employees and partners, while also lowering our operating costs.

Framing the topic

What we mean by reducing our environmental footprint: Mitigating the environmental impact of our operational activities by applying best practices in energy management, waste management, transportation, procurement and consumption of materials.

Who has responsibility: BMO's Chief Sustainability Officer oversees the development of the enterprise sustainability program, including operational and environmental sustainability. BMO's Global Head, Corporate Real Estate, is responsible for implementing BMO's Environmental Policy and environmental management system.

OUR APPROACH

BMO's key environmental commitments, as set out in our Environmental Policy, are to:

- Protect the environment, including preventing pollution, by managing our operations responsibly.
- Comply with, or exceed, our environmental obligations, including the requirements of legislation related to the environment in all of the jurisdictions in which we operate.
- Adhere to the principles of ISO 14001 and any other environmental standards to which we subscribe.

Our environmental sustainability strategy, which we refer to as ECO⁵, addresses the five BMO operational activities that have the greatest impact on the environment: energy use, business travel, materials consumption (e.g., paper, construction materials, cleaning products), procurement and waste generation. In order to mitigate our environmental impact in each of these areas, we set objectives, apply best practices and measure our performance.

Approximately 86% of our direct environmental impact is the result of emissions from the buildings we occupy, and the remainder is primarily the result of business travel. Since 2008, we have met three successive multi-year enterprise emission reduction targets, largely by upgrading energy-intensive equipment and systems at our facilities, such as heating, ventilation and air conditioning (HVAC) systems, lighting, controls and building envelopes (roofs and windows). Our reduction efforts - along with purchases of renewable energy and locally based carbon offset credits - have enabled BMO to maintain carbon neutrality since 2010.

We work with property owners at leased facilities to promote an awareness of specific waste management practices for each building we occupy. BMO's grassroots initiatives and external partnerships also enable our employees to get involved in environmental causes that are important to them. These include Waste Reduction Week, annual commuter challenges, office supplies exchanges between departments, and the collection of personal cell phones and other electronic devices for recycling.

Related BMO policies, statements and reports

- · Environmental Policy
- · 2019 Climate Report (page 70)
- · 2018 ECO5 Summary Report
- · 2019 CDP Response



Building Certifications

The BMO environmental management system helps us track, assess and manage our environmental footprint and performance. It has enabled us to maintain ISO 14001 certification at two office buildings in Canada and two in the United Kingdom for several years. Leadership in Energy and Environmental Design (LEED) certification for a number of other locations confirms that these facilities meet recognized green building standards for design, construction and, in some cases, operation and maintenance:

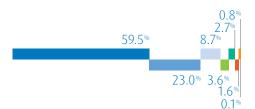
Facility	Certification
BMO executive offices – First Canadian Place, Toronto, ON	LEED Gold – Existing Buildings Operation and Maintenance
BMO branch – 9630 Macleod Trail SE, Calgary, AB	LEED Silver – New Construction
BMO branch – 5111 New Street, Burlington, ON	LEED Certified – Core & Shell
BMO branch – 1454 Merivale Road, Ottawa, ON	LEED Silver – New Construction
BMO branch – 105 Clair Road E, Guelph, ON	LEED Silver – New Construction
BMO branch – 631–645 Commissioners Road E, London, ON	LEED Silver – New Construction
BMO customer contact facility – Mississauga, ON	LEED Gold – Core & Shell
BMO Harris branch – 12920 S Route 47, Huntley, IL	LEED Silver – New Construction
BMO Harris branch – 15450 W National Avenue, New Berlin, WI	LEED Silver – New Construction

HIGHLIGHTS

- We are continuing to roll out a strategic energy management program for our real estate portfolio. This holistic program involves the implementation of energy management best practices for all stages of the building life cycle – acquisition, design, construction, commissioning, operation and maintenance, renovation or retrofit, and disposal – and presents us with opportunities to achieve our emission reduction target while reducing expenses and minimizing future costs by improving the energy efficiency of our operations.
- BMO was the recipient of Grand & Toy's 2018 Leadership in Greener Purchasing Award Financial Sector. These awards recognize one company in each sector for purchasing Grand & Toy products with environmental attributes and ecolabels. Recipients are determined primarily based on comparisons of each company's annual green purchasing as a percentage of its total annual procurement spending. In 2018, BMO had a green-spend ratio of 70.6%, which was significantly higher than that of other candidates in the financial sector.

 Understanding that plastic pollution is a growing environmental challenge, we formed a cross-functional task group to develop an enterprise-wide strategy for addressing the use and disposal of singleuse plastics. As a first step, the task group initiated a baseline study to identify and examine our current practices. Its primary objective is to eliminate single-use plastics in our operations.

Total Emissions by Source



Use Type (%)	2018	2017
Electricity	59.5	62.5
Natural gas	23.0	20.2
Air travel	8.7	8.9
Ground travel	3.6	3.7
Other fuels	2.7	2.4
Fleet fuel	1.6	1.5
Waste	0.8	0.7
Refrigerants	0.1	0.1

PERFORMANCE SCORECARD

Index



Target: Reduce absolute carbon emissions by 15%, based on fiscal 2016 baseline levels, by the end of fiscal 2021.

Result:

0.4

reduction as at year-end 2018

Description:

BMO has been carbon neutral since 2010, and we continue to set aggressive targets for the reduction of our operational footprint.

About 86% of our direct environmental impact is the result of emissions from the buildings we occupy. Our emission reduction initiatives at these facilities focus on efficiency upgrades to heating, ventilation and air conditioning systems and controls, interior and exterior lighting and signage, and building envelopes (windows and roofs), as well as strategies for optimizing our use of floorspace. Our overall strategy is to promote energy efficiency as "the first fuel," and this is complemented by operational improvements and employee awareness programs.

Absolute emissions refer to total Scope 1, 2 and 3 emissions, classified in relation to our operational control, as specified by the Greenhouse Gas (GHG) Protocol. BMO's Scope 1 emissions are direct GHG emissions from BMO facilities and sources, such as the combustion of fuels in stationary sources (boilers, furnaces, etc.) and in company-owned vehicles. They also include fugitive emissions, such as releases of refrigerants from refrigeration and air conditioning equipment. Scope 2 emissions are indirect GHG emissions related to the electricity and steam we purchase. Scope 3 emissions are indirect GHG emissions from employee business travel in non-company owned assets and the solid waste sent to municipal landfills (North America only).

Annual Emissions (tCO,e)



- Actual emissions
- Adjusted baseline emissions

Water Use Intensity Reduction

Target: Reduce water use intensity (m³ water consumption/m² real estate floor area) by 8%, based on the fiscal 2016 baseline level, by the end of fiscal 2021.

Result:

010/0

reduction as at year-end 2018

Description:

As a financial institution, our overall use of water is not intensive. However, because collecting, treating and distributing water are energy-intensive activities that contribute to greenhouse gas emissions, we have set a water use intensity reduction target. With the continuing increase in demand and rising rates for water, improving the efficiency of our water systems will also help us manage operating costs.

Water use reduction measures included upgrades of building equipment (such as boilers, air-conditioning units, chillers and cooling towers) and water fixtures (such as faucets, showers and toilets). In 2018, we also partnered with a number of large municipalities on water reduction programs, and we launched water use assessments and other initiatives at 10 of our facilities. A warmer-than-usual summer resulted in an increase in the amount of water used for irrigation, which was the primary reason for water consumption and intensity metrics that were slightly above our targets for reduction.

Water use intensity is expressed as total water consumption per year in cubic metres (m³) divided by total floorspace in square metres (m²). Total floorspace does not include parking or irrigated areas. The intensity-based metric was selected because reliable water usage data is available for approximately 59.4% of BMO's real estate portfolio. In addition, water use intensity is a useful benchmark when we are comparing our water usage and performance to best practices.*

Prepresents water consumption for facilities where data is available. For 2018, the cubic metres reported represent coverage for approximately 59.4% of facilities as a percentage of square metres occupied.

Water Use Intensity (m³/m²)



- Actual water use intensity
- Baseline water use intensity

Carbon Neutrality

Target: Maintain enterprise-wide carbon neutrality in each reporting year.

Result:

100%

Description:

BMO has been carbon neutral for the past nine years. We have maintained carbon neutrality by limiting emissions that result from energy use and other activities, investing in electricity from renewable energy sources, and purchasing locally based carbon credits. In the United States, 100% of the electricity used in the facilities we operate is offset by renewable energy certificates.





Growing the Good for a Thriving Economy



in loans to womenowned businesses in 2019



One of the Best Workplaces in Canada for the fourth year in a row

82%

of employees say they have opportunities to learn and grow continually Alignment with SDGs













Priority Topics in This Section

Access to Banking

Financial Literacy

Talent Attraction and Retention

Learning and Development

Left photo: Left to right: Kathlene Evanski, Investment Advisor and Financial Planner, BMO Nesbitt Burns with BMO customer and registered massage therapist Anna Belanger.



Woman in Charge

Anna Belanger had the talent, focus and vision to create a successful chain of massage therapy clinics. But it was hard to find a bank that understood and supported her goals.

"When I started my business, I never planned to end up where I am today." says Anna Belanger. "I just wanted to express myself in my own way." In 2008, Anna moved from Vancouver to Ottawa with her husband and four children. She had no family or support network in Canada's capital. But taking advantage of her training as a Registered Massage Therapist, she opened a solo practice focused on prenatal and postnatal women – and in no time was treating more than 100 clients from one tiny office. Today Anna Belanger and Associates operates three clinics, along with an office serving employees of Shopify, the Canadian multinational e-commerce company.

"I knew that to be successful, I had to find a niche and set myself apart," Anna says. "In the beginning it was all word of mouth. Sometimes I'd work all night and all the next day, too. I had a responsibility to the business and my family. So I just had to put my head down and do it. And at this moment, looking at these beautiful clinics and the 20 therapists working with me, I'm proud of what I've created."

BMO for Women

Success stories like Anna Belanger's energize our bank-wide commitment to helping women manage their financial futures and fulfill their entrepreneurial ambitions. We've launched a unique initiative called BMO for Women, offering advisory services, innovative products and business financing, as well as opportunities for skill building, networking and peer recognition. And in affirming BMO's Purpose, to Boldly Grow the Good in business and life, we've committed to double our industry-leading support for women entrepreneurs, growing our team of dedicated business relationship managers in this priority area.

THE RIGHT PARTNER

Like many health care professionals, Anna had no business training. "Even though I was so busy, I almost went bankrupt in my first year," she recalls. She also had to deal with the added challenge faced by so many women entrepreneurs: finding a bank that would provide support, advice and, above all, respect. One banker told her the business was built without forethought. Another – ironically, a woman – refused to discuss a line of credit until Anna's husband joined the conversation. So she was understandably wary on first being introduced to BMO advisor Kathlene Evanski.

"It was hard to feel trust, because I'd had such bad banking experiences, "Anna says. "But Kathlene was very patient, working with me step by step, until finally I said, 'Okay, I'll try it' – and she's just been phenomenal."

For Kathlene, partnering with Anna was part of a broader commitment to earning the confidence of women entrepreneurs and helping them succeed: "I wanted to show Anna that BMO valued her business. I work with all of my clients in a very holistic way, looking at both their personal and business needs. Then I try to provide peace of mind with a comprehensive solution, pulling together the right partners from across the bank."

"It's like a circle of care has been put around me," Anna says. "Everyone at BMO communicates with each other, so I don't have to worry."

LEADING BY EXAMPLE

Having built a successful business, Anna feels a responsibility to help other women entrepreneurs pursue their dreams: "A woman speaking to a woman has so much power, because we know how to raise each other up. I say: 'If I can do this, you can do this.' I try to help women identify something in themselves they know but can't say out loud – because many of us have a hard time with that. And Kathlene does the same thing for me."

Those sentiments are echoed by Kathlene. "I feel we're leading the way in how we work with women entrepreneurs," she says, pointing to initiatives like BMO for Women (see sidebar). "I'm proud to be part of an organization that supports women in business."

For Anna, the desire to give back extends to her whole community, including people living in tough economic circumstances she's experienced firsthand. In addition to donating time at local women's shelters, she's also a corporate sponsor of the United Way and the Children's Hospital of Eastern Ontario. "For me, it's about leading by example," she says. "You have to support the community that feeds you and encourage others to do the same."

At the same time, as a busy mother of four with a growing company to run, Anna welcomes the support of a bank that understands her priorities. "Working with BMO has allowed me to relax and feel confident as I grow my business. It's made all the difference, having someone believe in me. And I know there's so much more I can do."

Our Bold Commitments

- Double BMO's support for small business, by doubling small business lending in Canada to a total
 of \$10 billion, and by doubling small business lending in the United States to reach a total of
 40,000 customers
- Double BMO's industry-leading support for women entrepreneurs, including increased dedicated business relationship managers

ACCESS TO BANKING

At BMO, we have the capacity, innovative drive and reach to propel the economy forward. This means standing behind the aspirations of small businesses and entrepreneurs to address the challenge of economic disparity.

Framing the topic

What we mean by access to banking:

Meeting the needs of small businesses and entrepreneurs and creating specialized products and services that make our offerings more accessible.

Who has responsibility: Responsibility for administering our programs for small businesses is delegated to product groups within the various lines of business. For example, business with women entrepreneurs is primarily managed by the BMO for Women unit, a line of business within our Canadian Personal and Commercial Banking operating group.

SMALL BUSINESSES

Our Approach

Approximately 98% of employers in Canada are small businesses, as well as 99% of companies in the United States. These companies are key contributors to economic growth, innovation and job creation. BMO offers a range of specialized small business accounts, plans and services, as well as free online financial resources, educational content and tools that are available on our dedicated small business websites.

As part of our commitment to double our lending to small businesses in Canada and the United States, we intend to strengthen our ongoing support for innovative business concepts, while also playing an active role as an advocate for newly emerging industries and technologies. For instance, more small businesses will have faster and more convenient access to capital as a result of improvements we are making to BMO Business Xpress, our small business lending platform.

HIGHLIGHTS

- The BMO Harris Bank/1871 Innovation Program is a mentorship program that offers entrepreneurs an opportunity to demonstrate their leading-edge technological innovations for us, so that we in turn have an opportunity to assess whether they can help us transform the customer experience. In 2019, the program was opened up to applications from startups in all 50 U.S. states. Start-ups were invited to apply for a placement that included a three-month mentorship period with BMO subject matter experts, access to the 1871 innovation hub - including its community, recruiting, mentorship and workshop resources – and an opportunity to pilot their technology with BMO. Winners were awarded cash prizes after they made a presentation to a panel of BMO judges.
- BMO launched a new line of credit for business that leverages the BMO Business Xpress platform to streamline the application and approval process. With Credit Line for Business, clients can be instantly approved for a business line of credit of up to \$120,000 at rates as low as prime plus two percent. This enhances the customer experience, since it removes two of the most notable pain points in the application process – the hassle and the wait.
- We launched a partnership with Intuit to offer BMO small business customers a 70% discount on QuickBooks for six months, which has been extended indefinitely.

BMO FOR WOMEN Our Approach

BMO has been firmly committed to advancing economic opportunities for women for decades, and recognizes the many barriers women continue to face. We currently offer a diverse array of programs that provide specialized support to women business owners. These will be augmented by our commitment to double BMO's support for women entrepreneurs by 2025, which includes increasing the number of dedicated business relationship managers.

Current programs include training for customer-facing employees to help them have more informed, thoughtful and comprehensive conversations with our female customers, partnerships with organizations that deliver mentorship and networking opportunities for women, and educational resources that are available through a dedicated BMO for Women website.

In 2019, recognizing that business owners suffer a higher rate of burnout, we introduced a retreat to women entrepreneurs, focused on developing the skills and strategies needed to grow resilience in business and life. The retreat included activities and skill building exercises to help unpack the mental, emotional and physical facets of resilience. The event also cultivated women connecting with other women across different communities.



\$8.5 billion

in loans to women-owned businesses in 2019

We help inform public policy conversations about women entrepreneurs by supporting research that dispels stereotypes and drives action to address funding imbalances.

In May, 2019, BMO partnered with the Federal Minister of Women and Gender Equality Canada to produce capacity building webinars specifically for not-for-profit organizations that support women. Three key topics were identified as critical to these organizations: Financial Health, Strategic Planning, and Partnerships & Collaboration. These 45-minute webinars, hosted by BMO, featured subject matter experts who provided relevant information on each of these topics. Although created for the not-for-profit sector, any organization can benefit from this valuable information.

The BMO Celebrating Women program has honoured 172 women in communities across Canada and the United States since 2012. The program recognizes women who have stepped forward as leaders in business and in their communities, and have succeeded as philanthropists, innovators and business owners.

We track and assess the number of our commercial banking relationships that involve businesses owned by women, along with their loan, deposit and revenue growth on a quarterly basis.

HIGHLIGHTS

- In June 2018, BMO committed to making \$3 billion in capital available for women business owners in Canada over three years. We've been actively promoting this program since its introduction, with a focus on women doing business in high-growth sectors such as health care. In Q3 2019, we achieved a 19.4% increase in our loan balances to women business owners across the country, compared to Q3 2018.
- BMO became the first Canadian bank to sign the UN Women's Empowerment Principles (WEPs), a joint initiative of UN Women and the UN Global Compact that promotes women's full participation and leadership in their workplaces, marketplaces and communities. By becoming a signatory to the WEPs, BMO has set a precedent for other organizations that are looking to establish frameworks for advancing gender equality.
- The challenges that women entrepreneurs face in starting, building and scaling their businesses start with the fact that so many systemic barriers, stereotypes and biases associated with gender equality still exist. That is why BMO was the first and only financial institution to sponsor the Women Deliver 2019 Conference, one of the largest conferences in the world focused on gender equality and the health, rights and wellbeing of girls and women.

- BMO was also a lead sponsor of the WE Empower Challenge in September 2019, during UN Global Goals Week. The WE Empower Challenge is a global business competition for women entrepreneurs who are working to advance the UN Sustainable Development Goals.
- In 2018, on International Day of the Girl, seven BMO executives in Canada and the United States stepped aside for the day to allow a girl ambassador from Plan International to take on their role. In 2019, we had a total of five participants with four BMO Executives in Canada, the U.S. and the U.K. to step aside and also invited a woman entrepreneur to do so as part of our sponsorship. The intent was to provide an opportunity for girls between the ages of 17 and 21 to see themselves performing in senior leadership roles. International Day of the Girl is a day of observance declared by the United Nations in support of more opportunities for girls and greater awareness of the gender inequality they face worldwide.



BMO's Head of Canadian Business Banking Andrew Irvine and a youth participant taking part in Plan International Canada's *Girls Belong Here* initiative.

BMO for Women continues to partner with GroYourBiz and Women Presidents'
Organization (WPO) to support peer mentoring and networks necessary for women business owners to thrive.
Additionally, in 2019, BMO started a partnership with Women Get on Board, an organization dedicated to encouraging more women to serve on public boards and educating them on the decisions boards frequently face.



FINANCIAL LITERACY

By equipping people to make informed financial decisions, we also equip them to actively participate in a changing economy and make a better life for themselves. In turn, their success has a positive impact on our business, raising our customers' satisfaction levels and deepening their engagement with our products and services.

Framing the topic

What we mean by financial literacy:

Helping people gain the knowledge, skills and confidence they need to make well-informed financial decisions.

Who has responsibility: Improving financial literacy is an objective shared by several BMO groups, including those involved in product development, customer experience and community relations. In the United States, oversight of activities related to the Community Reinvestment Act (CRA) is exercised by CRA governance staff.

OUR APPROACH

In addition to supporting our customers in their day-to-day interactions:

- BMO employees volunteer to teach Junior Achievement (JA) classes, sharing their expertise in financial matters with young students.
- In the United States, seminars on first-time home purchases, basic banking and credit repair are offered by our CRA relationship managers, with assistance from retail branch staff.
- At BMO Harris Bank, members of our Bank at Work staff provide seminars on basic banking and understanding credit to employees of corporate clients and non-profits.



Loretta Minor, U.S. CRA Relationship Manager, BMO teaching a financial literacy seminar in Chicago.

HIGHLIGHTS

- From January 2017 to October 2019, 35,688 adults and young people participated in free financial literacy sessions offered by BMO Harris. Of these, 61% were low- to moderate-income individuals. In addition to JA-related content for students, topics included home buyer counseling and foreclosure prevention, and consumer finance and credit repair.
- BMO was honoured by Junior Achievement at the New York Stock Exchange with a U.S. President's Volunteer Service Award. BMO was one of only a handful of companies across the country to receive this award, which recognized the number of hours our employees volunteered in local Junior Achievement offices during the 2017/2018 school year. We continued to support these efforts in 2019, with 220 BMO Harris volunteers participating in three programs:
- JA Classrooms In their visits to local elementary school and middle school classrooms, BMO volunteers brought a real-world perspective to JA's hands-on basic financial literacy lessons.

- JA BizTown This program combines in-class learning with a day-long visit to a fully interactive model town. During visits to JA BizTown, BMO volunteers coached upper elementary school students as they performed their jobs and managed the economy of their model community, helping the students understand the relationship between what they learn in school and how they can participate in the local economy.
- JA Finance Park This program introduces students in grades 7 to 12 to the fundamentals of personal finance, managing a family budget and exploring career choices that are aligned with their ambitions for the future. After completing an in-classroom curriculum, students were given a family and income scenario and spent a day at the JA Finance Park learning lab, where BMO volunteers helped them draw up a budget, allocate expenses and make personal investments.



- BMO partnered with IA Central Ontario on several significant engagements that helped equip young people with life-changing entrepreneurial, workplace readiness and financial literacy skills. During the 2018/2019 school year, more than 300 BMO employees delivered 165 programs that reached over 3,200 students. BMO volunteers taught three different programs -Economics for Success, Be Entrepreneurial Jr., and Stronger Together: Diversity in Action and also participated in an 18-week afterschool program for high school students, in which they worked with another 51 students. For the first time, we partnered with our BMO for Women business banking unit and Women in Technology to share information about science, technology, engineering and math (STEM) careers with students in grades 6 to 8.
- BMO for Women is leading JA Ontario's first "all girls" company program. The company program introduces students between grades 9 and 12 to the concept of being an entrepreneur. The girls in the program create a company from the ground up, elect a leadership team within their peer group, innovate a product/service, bring it to market and wind the company down to pay out profits to shareholders.



Sue Xin, Senior Information Security Officer.

• Members of the BMO Harris Community Reinvestment Act team participated in Hip-Hop Milwaukee, an annual, week-long event that celebrates hip hop while raising awareness of the importance of civic engagement, health and financial literacy. Team members spoke to a group of more than 100 people about financial literacy and building wealth through home ownership, which led to an impromptu question-and-answer session on the home-buying process, grants available for first-time homebuyers and other related topics.

Junior Achievement USA 2018/2019 School Year

220
BMO volunteers

 $\underset{\text{classrooms visited}}{260}$

6,350 student participants

44,000 volunteer hours with students

Junior Achievement Central Ontario 2018/2019 School Year

300 BMO volunteers

165

3,272 tudent participant

TALENT ATTRACTION AND RETENTION

Effective management of our human and intellectual capital is essential to ensuring BMO's ability to create shared value and achieve sustainable long-term growth. When we succeed at attracting and retaining talent, developing our employees' skills, recognizing and rewarding their performance, and acting on their ideas and input, we are also making progress toward achieving our strategic priorities.

Framing the topic

What we mean by talent attraction and retention: Having in place the talent we need, across the organization, by attracting and inspiring talented people, offering competitive compensation and benefits, and meeting BMO's succession planning requirements.

Who has responsibility: BMO's Chief Human Resources Officer, along with BMO's Chief Talent Officer and the Vice-President, Talent Acquisition.

OUR APPROACH

As we pursue our Purpose, we are advancing our talent practices, bringing our decisions about talent into closer alignment with BMO's growth objectives, equipping our leaders with data and insights to support talent decisions, and simplifying, integrating and digitizing our talent processes. Our objective is to ensure that BMO has the right people, capabilities and workforce mix – today and into the future.

Our future-focused talent strategy includes initiatives that will:

- Shape our culture in alignment with our newly articulated Purpose (page 64).
- Future-proof employees by developing key skills (page <u>38</u>).
- Build leadership capabilities (page 38).
- Hire strategically to integrate new capabilities into our organization.
- Use data and predictive analytics to attract, motivate and retain leading talent.
- Transform how we work by simplifying what we do, enabling decision-making that is closer to our customers, embracing experimentation, and designing workplaces that serve as catalysts for innovation and collaboration.

As we pursue this new talent strategy, we're also ensuring that we get the basics right. This includes having in place competitive compensation programs that are linked to business results and individual performance, as well as robust performance management practices. We also offer comprehensive flexible benefits that support the health and well-being of our employees and their families.

To ensure we are tracking key business metrics, BMO's Chief Human Resources Officer, BMO's Chief Talent Officer and Vice-President, Talent Acquisition meet on a monthly basis to monitor and assess metrics such as voluntary turnover rates, six-month retention rates and the time required to fill key roles and vacant positions. These key indicators are also reviewed by all members of our senior leadership on a quarterly basis, while our Board of Directors considers the state of our talent annually.



BMO was named one of the Best Workplaces in Canada by the Great Place to Work® Institute Canada for the fourth consecutive year

Benefits Eligibility

Benefit	Full-time	Part-time	Temporary (contract)
Life insurance	Υ	Υ	N/A
Health care	Υ	Υ	N/A
Disability coverage	Υ	Υ	N/A
Parental leave	Υ	Υ	N/A
Retirement provision	Υ	Υ	N/A
Share ownership	Υ	Υ	N/A

Related BMO policies, statements and reports

- · BMO's Code of Conduct
- · Statement on Health and Well-being
- Statement on Freedom of Association and Collective Bargaining

BMO's Code of Conduct: www.bmo.com/home/about/banking/corporate-information/codeofconduct
Statement on Health and Well-being: corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Freedom of Association and Collective Bargaining: corporate-responsibility.bmo.com/our-approach/statement-on-current-issues

HIGHLIGHTS

- In 2019, as part of our efforts to transform the way we work, we reviewed our talent acquisition practices and identified opportunities for simplification. We then made changes to our audit and background screening processes, creating a better candidate experience and ensuring consistency across all recruitment channels, while also ensuring that we can continue to meet regulatory and good governance requirements.
- In support of our long-standing commitment to helping employees balance work and family responsibilities, we enhanced our Back-up Child Care Program by including new provisions for elder care. The Back-up Child and Elder Care programs offer employees a short-term solution when their child care or elder care plans fall through unexpectedly. The program provides up to 10 days of back-up child care, as well as up to six passes of elder care services per year, paid for by BMO Financial Group across Canada, the United States and the United Kingdom.

- BMO's performance management practices are intended to help our employees reach their full potential and drive business results. In 2018 and 2019, we refreshed those practices to improve the quality of performance conversations between managers and employees. This included:
- Replacing the traditional mid-year review with more frequent performance check-ins
- Introducing e-learning for managers to enhance the quality and consistency of performance conversations
- Simplifying the performance rating scale from five to three ratings
- Launching the changes with a lighthearted "Make It Yours" social media campaign that invited employees to rename the program, along with e-learning for managers that included a module on understanding and mitigating the effects of biases
- Creating a performance playbook to help employees reach their full potential in their roles

BMO Canada Pension Plan (defined benefit pension plan)

BMO Canada Pension Plan (defined benefit pension plan)			
a. Estimated value of liabilities	\$5,431 million		
b. Extent to which the liabilities are estimated to be covered on a going concern basis	129.1% funded as of October 31, 2019		
c. Funding strategy	Follows Canadian legislative requirements for funding pension plans		
d. Employee contributions	No required contribution for employee unless employee participates in the optional contributory portion of the plan		
d. Employer contributions	Employer pays required contribution based on the actuarial valuation report that is filed with the authority		
e. Plan participation	22,764 active members as at October 31, 2019		

Voluntary Turnover Rate (%)

Enterprise	Female	Male	Enterprise
2019	10.7	10.7	10.7
2018	10.4	11.4	10.9
2017	10.8	11.5	11.1

Canada	Female	Male	Enterprise
2019	10.4	10.8	10.6▲
2018	9.8	11.0	10.3
2017	9.3	10.5	9.9

United States	Female	Male	Enterprise
2019	11.3	11.1	11.2
2018	11.8	12.7	12.1
2017	13.9	13.9	13.9

Our Bold Commitment



LEARNING AND DEVELOPMENT

As new technologies, industries and occupations emerge, learning becomes essential in helping our employees develop the skills they need to adapt and thrive in a rapidly changing world – and to advance BMO's performance. Investing in programs that strengthen our human and intellectual capital also supports growth and innovation that benefit our customers and communities.

Framing the topic

What we mean by *learning and development*: Providing our employees with the opportunity to acquire the skills required to excel in the roles today and thrive in their careers tomorrow, while elevating their performance to meet the needs of our customers and our organization.

Who has responsibility: BMO's Chief Human Resources Officer, along with BMO's Chief Talent Officer and Chief Learning Officer.

OUR APPROACH

At BMO, we are helping our employees acquire the technical and human skills they need to succeed in their roles and their careers today – and to prepare for the future world of work. Upskilling and reskilling are priorities, and we are developing formal and informal learning experiences for employees across the organization that will prepare them to effectively operate in an environment where the world of work and our customer needs are continuously evolving.

Our strategy is focused on:

• Enabling our people to take control of their learning journey on BMO U, our mobile learning platform. Employees can search a wide range of topics, which include more than 100,000 resources produced by BMO and other premium content providers, to fine-tune their skills for their current roles, acquire new skills for future career opportunities, and pursue a personal interest.

82%

of employees say they have opportunities to learn and grow continually (source: 2019 BMOPulse employee survey) Developing capabilities for the present and for the future through the BMO Forward curriculum, with learning streams that target critical skills involving data science, artificial intelligence and robotics, cyber security, digital technologies and process excellence.

Connect BMO's employees with dynamic and engaging learning platforms to foster the right technical and human skills required to sustainably succeed today and tomorrow

- Preparing BMO leaders to lead in a new context. Across the organization, we are helping our leaders expand their technical capabilities and embrace ambiguity and disruption – so they can build a work environment in which our employees can do the same.
- Establishing and strengthening connections with governments and educational institutions in support of a broader culture of learning.

As we continue to develop our workforce and ensure they are prepared for future roles, we simultaneously track our investments in training, monitor program participation rates and survey our employees to assess the effectiveness of our approach. Another key metric is the percentage of open positions that are filled by internal candidates, because when we succeed at developing our people, they are prepared for future roles. Our objective is to see a majority of new roles filled from within. In 2019, BMO successfully filled 44% of posted roles through internal applicants.



The BMO Institute for Learning (IFL), our corporate university, celebrates its 25th anniversary this year and remains a cornerstone of our learning and development programs. The BMO IFL is still the only one of its kind established by a Canadian financial institution. Every year, BMO IFL welcomes more than 70,000 people. Our intent is to have it serve as both a cultural accelerator and a centre for ambitious learning.

HIGHLIGHTS

- June 2019 marked the first anniversary of the launch of BMO U, our mobile learning platform. By the end of the fiscal year, more than 31,000 employees had accessed the platform, viewing over 193,000 resources and completing over 100,000 courses. The most popular learning pathways showed us our employees' priorities Learn from Difference for All, Making Sense of Big Data, Think Like a Customer, Understanding/Presenting Data, Building Data Solutions and Growing Your Career.
- Between August and October 2019, we launched four BMO Forward learning streams Data Smart, Cyber Smart, Tech Smart, and Simplify and Accelerate Smart. Following the launch of Data Smart, more than 1,300 employees signed on, and the results have been encouraging: participants reported a 26-point increase in their understanding of how to apply data science to their current roles, and a 14-point increase in their interest in pursuing data-focused roles in the future.

- BMO was recognized with several learningrelated awards in 2019:
- Named Learning Organization of the Year by Corporate Learning Week in December 2018 at the Corporate University Best-In-Class (CUBIC) Awards. The CUBIC awards are globally recognized as one of the most prestigious independent award designations for innovative, creative and forward-thinking learning organizations.
- Awarded Brandon Hall's Gold Award for Best Advance in Executive Development in August 2019 for our "Leadership Edge Executive Learning & Development" program. The award recognizes organizations that have successfully deployed human capital management programs, strategies, processes and systems that have achieved measurable results for the company.

 Received the BEST Award from the Association of Talent Development (ATD), placing second overall in Corporate Learning. BMO is the only Canadian bank listed among the top companies for 2019. The award recognizes organizations that demonstrate enterprise-wide success through talent development. 1.2 million

hours of learning in 2019

\$86.8 million*

invested in training in 2019

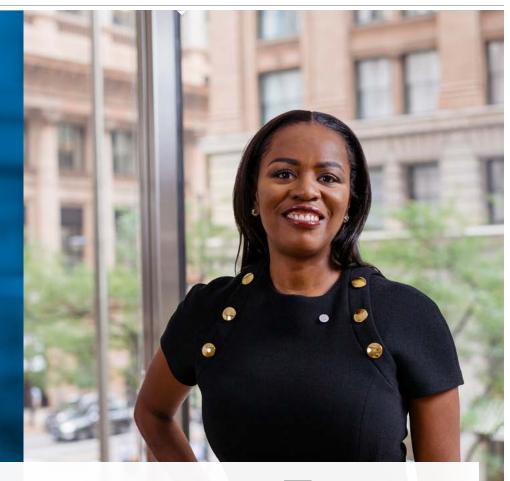
BMO IFL offers a variety of formal and informal learning experiences for employees.







Diversity and learning from differences are core values that inform our thinking and actions. They help define who we are – and who we aspire to be as an organization. We are committed to growing the good for an inclusive society by removing barriers to social and economic inclusion and helping our employees, customers and communities achieve their goals and reach their full potential.



gender equity in senior leader roles in Canada and the United States

in business with Indigenous customers

41.1%* \$2.7 billion* \$67.2 million*

in donations to registered charities and non-profit organizations in Canada and the United States

Alignment with SDGs













Priority Topics in This Section

Diversity and Inclusion

Financial Inclusion

Contributing to Communities

Tracie Morris, U.S. Chief Human Resources and Inclusion Officer, BMO Harris Bank.



Different Perspectives

Tracie Morris was named U.S. Chief Human Resources Officer of BMO Harris Bank in May 2019. In addition to more than 20 years' experience in HR leadership, she brings a wealth of insights gained as a board member of organizations such as the Business Leadership Council, Women Employed, Girl Scouts of Greater Chicago and Northwest Indiana and Black Ensemble Theatre.

WHAT DO ORGANIZATIONS STILL HAVE TO LEARN ABOUT DIVERSITY AND INCLUSION?

Often people focus on diversity – in terms of gender, colour and other categories of difference – but they forget inclusion, which is about connecting with others – coworkers, leaders, the community – on a personal level, and understanding their stories. Even if someone looks like you, what do you know about the experiences that have shaped their life and outlook? It's important to learn who someone really is, regardless of external differences. As a new leader at BMO, I work boldly with diverse groups across the bank: I share my story, looking for common areas of interest, and we start to form connections.

HOW DO EFFORTS TO STRENGTHEN DIVERSITY AND INCLUSION AFFECT A COMPANY'S SUCCESS?

Everyone brings a different perspective, and it's important for all voices to be heard. Women, people of colour, people with disabilities – and yes, white men – you get all of us in a room together, and that's a more powerful conversation. When teams include people who've had different experiences, you see better outcomes. And that positive impact extends outside the bank as well. When you hire someone from an underserved area, you have an impact on their community, because they form a new outlook on life and bring it back home with them.

HOW DID YOUR OWN BACKGROUND SHAPE THE CAREER PATH YOU'VE CHOSEN?

I grew up on the South Side of Chicago. In the summers, I spent time with my grandmother in Englewood, one of the roughest parts of the city. Even though it wasn't the best part of the city, there was a community of residents who wanted to do better and be better. People helped each other and tried to build each other up. That made a big impression on me: I wanted to help people who didn't have as much as I did.

My parents were able to send me to private schools, and I was the first African-American kid in my class. My school was Catholic and my family was Baptist, which taught me the lesson of inclusion from a religious and spiritual perspective – and acceptance on a broader level. That's always been my style, even as a kid: I'm curious about other people and what they can teach me.

I started out working for the federal government in Chicago. I wasn't following my passion there, so I went back to school to study psychology and organizational behaviour. Then I found jobs in career development and counselling. And here I am today!

HOW DOES INCLUSION FIT IN WITH BMO'S PURPOSE: BOLDLY GROW THE GOOD IN BUSINESS AND LIFE?

On the business side, it's everything we do to build talent. Who can we hire so that our bank reflects the community? How do we build a stronger pipeline for women and people of colour? How can we contribute to the business with good systems and practices – and how can we make things better? As for growing the good in life, I look at all the BMO people

who volunteer with not-for-profits. They demonstrate the Purpose in meaningful ways. Our efforts through charitable donations, as a bank and through employees' own giving: it's all aimed at empowering communities.

HOW DOES BEING A MEDITATION INSTRUCTOR AFFECT HOW YOU APPROACH YOUR IOB?

I've been doing yoga and meditation for 18 years. At work, it helps me connect with people in the moment. I want them to know that they are important and have my full attention. If someone is making a big career decision or going through a personal crisis, you need to be completely present, try to see their point of view and give them direction. And in any business situation, you can't go in with just one sense of how things should go. I try to step back, reflect, then calmly decide what to do.

GOING FORWARD, WHAT'S YOUR VISION FOR DIVERSITY AND INCLUSION AT BMO?

My vision is to have equal focus on diversity and inclusion - especially recruitment and engagement efforts. I'd like to see even more focus on recruiting military veterans, people of colour, people with disabilities. And for current BMO employees, more educational programs, more networking, sponsoring and mentoring. When we spend all day with people who look and think like us, we miss out on so many opportunities to expand our thinking – and that can hurt the bottom line. Also, diversity and inclusion can't just be focused on leaders; it has to be about what motivates and encourages all employees, because they're the ones who will carry the message forward.





BMO was ranked among the Forbes 2019 Best Employers for Diversity (United States) and Best Employers for Women (United States)

DIVERSITY AND INCLUSION

Diversity and learning from differences are core values that support BMO's long-term success and sustainability. Our commitment to diversity and inclusion ensures that we continue to evolve to meet the needs of our employees, customers and communities. When we work together in diverse and inclusive teams, we are better able to recognize new opportunities for advancing our culture, our customers' loyalty and our support for our communities.

Framing the topic

What we mean by *diversity and inclusion*:

Providing equitable opportunities to employees regardless of their gender, race, ethnicity, ability, sexual orientation or age, and maintaining an inclusive culture in which they feel valued, respected and heard, and can bring their best self to work.

Who has responsibility: BMO's Chief Human Resources Officer has overall responsibility, together with our Chief Talent Officer, Chief Inclusion Officer and U.S. Chief Human Resources and Inclusion Officer. All four of these roles have performance and incentive compensation objectives related to diversity and inclusion. The Leadership Committee for Inclusion and Diversity is responsible for establishing strategic priorities.

OUR APPROACH

In line with our Purpose, BMO is committed to championing diversity and inclusion and taking concrete action to remove barriers in our workplaces and our communities. We are working to meet this commitment across BMO, starting with our senior leadership.

Our Board has had a Board Diversity Policy since 2012. It stipulates that the Board is to be comprised of highly qualified directors, with a diversity of backgrounds that reflect the demographics of the communities in which we operate and our evolving customer base and workforce, as well as the talents and expertise required for their role as directors. The policy also sets a goal that each gender is to be represented by at least one-third of our independent directors, and this is considered when new Board members are being recruited.

BMO is a signatory to the Catalyst Accord 2022, in which we pledge that we will work to increase the average percentage of women on boards and in executive positions in corporate Canada to 30% or higher by 2022. We were the first Canadian bank to sign the UN Women's Empowerment Principles, a joint initiative of UN Women and the UN Global Compact (see page 32). BMO also pledged support of the UN Global LGBTI Standards of Conduct guiding companies in meeting their responsibility to respect Lesbian, Gay, Bi, Trans and Intersex (LGBTI) people.

In 2012, BMO established the Leadership Committee for Inclusion and Diversity (LCID), an enterprise-wide committee of more than 20 senior executives who oversee our progress toward our diversity and inclusion (D&I) goals and advocate for inclusive practices. The committee is co-chaired by a member of BMO's Executive Committee, who is appointed by the CEO. The strategic priorities established by the LCID set our direction and inform any associated action plans and workforce goals. A D&I update is presented to the Board annually.

The work of our senior leadership is augmented by the grassroots efforts of the 6,000 members of our 14 Enterprise Resource Groups (ERGs). The ERGs bring together people with shared interests, values or affinities to act as change makers and champions of an inclusive workplace. Each ERG is sponsored by a senior executive.

We set specific but ambitious goals across our organization by identifying gaps, removing barriers and then holding everyone – leaders, managers and employees – accountable for moving BMO forward. Diversity goals are included in the annual performance objectives of each Group Head. In 2018, the CEO approved the inclusion of diversity dashboards as a topic in the discussions of the Performance Committee, which is led by the CEO and includes our most senior leaders, at its quarterly meetings to review business performance.

Each year, as part of BMO's Leadership Planning program, we identify employees with the potential to take on more senior roles in the organization and then compile succession talent pools for key roles. Our goal is that at least one-third of the candidates in the talent pools for senior roles be representative of diversity.

To foster inclusive relationships, we make our leaders and employees aware of the value of inclusivity, and we suggest practical actions and behaviours that can help build an inclusive environment. For example, in 2016, we launched Learn from Difference (LFD), a multi-year initiative focused on building capabilities for inclusive leadership, equipping leaders with strategies to mitigate the effects of unconscious bias and building a more inclusive environment for colleagues, customers and members of the community. The first phase was an introductory e-learning course on diversity and inclusion. Within three months, more than 80% of managers had completed the course, and 97% of them were confident that they could apply what they had learned in everyday business decisions. In our pursuit of our Purpose and its ambitious set of commitments, we introduced new LFD learning streams in 2019 and made the program available to all employees on BMO U, our new mobile learning platform (see page 38).

Related BMO policies, statements and reports

- · BMO's Code of Conduct
- · Board Diversity Policy
- Statement on Human Rights
- 2018 Employment Equity Narrative Report

See Access to Banking (page 32), Financial Inclusion (page 45) and Contributing to Communities (page 48) for details of our efforts to foster economic and social inclusion in our communities.

Equal Pay

At BMO, we strongly support the principle of pay equity, and we believe that employees should be paid fairly for their work. We are committed to ensuring that gender, race or ethnicity, disability, sexual orientation, religious beliefs, marital status, age or any other protected status are never considered when making compensation decisions.

In Canada, employers have an obligation to maintain equitable pay practices, in accordance with federal legislation and provincial legislation in Ontario and Quebec. We follow a standard gender-neutral job evaluation methodology across the organization. We conduct pay equity analyses to help us identify any potential issues and address any concerns in a timely manner, and we respond to all inquiries about pay equity from our employees, regulators and other stakeholders.

• Achieve BMO's inclusivity goals, with a focus on increasing Indigenous representation to 1.6% of our workforce in Canada by 2020 and increasing the representation of persons of colour in U.S. senior

Our Bold Commitments

- roles to 20% by 2020
- Foster inclusive relationships with our customers by enabling all 45,000 of our employees to engage in the Learn from Difference training program on BMO U by 2025



BMO employees learning about our Purpose at BMO IFL

BMO's Code of Conduct: www.bmo.com/home/about/banking/corporate-information/codeofconduct Board Diversity Policy: www.bmo.com/home/about/banking/corporate-governance/select-documents Statement on Human Rights: corporate-responsibility.bmo.com/our-approach/statement-on-current-issues/ 2018 Employment Equity Narrative Report: corporate-responsibility.bmo.com/reports



BMO was ranked among the Forbes 2019 Best Employers for Diversity (United States) and Best Employers for Women (United States)

BEST PLACE TO WORK FOR DISABILITY INCLUSION NO DISABILITY EQUALITY INDEX

For the third consecutive year, BMO Harris achieved a perfect score on the U.S. Business Leadership Network and the Disability Equality Index (DEI) of the American Association of People with Disabilities



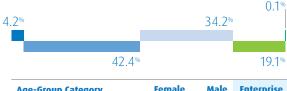
BMO was ranked among the Best Places to Work for LGBTQ Equality in 2019

HIGHLIGHTS

- Along with the unveiling of BMO's Purpose, we made a number of ambitious commitments. One of these was a commitment to help build an inclusive society, with no barriers to inclusion. To reaffirm that diversity and inclusion are integral to who we are as an organization, we are focusing on achieving an equitable representation of diversity in our workforce and in the development opportunities we offer, as well as on strengthening our relationships with our customers and the communities in which they live.
- In July 2019, we launched the second phase of our Learn from Difference program with an organization-wide campaign championed by senior leaders. The new Learn from Difference for All course focuses on a number of specific issues, such as allyship and belonging, and describes actions and behaviours that employees can model in their interactions with their colleagues, customers and communities to help build a more inclusive society. These real-life scenarios show that actions such as listening, inviting and valuing can foster inclusion and have a positive effect on the workplace experience. Within one month of its introduction. Learn from Difference for All was the most frequently visited pathway on our BMO U learning platform and has contributed to an increase in employees registered on BMO U.
- We introduced four of our U.S. FRGs into Canada, launching Black Professionals Network (BPN) Canada, Veterans Advisory Council (VAC) Canada, GenBMO Canada, and a Canadian Chapter of Latino Alliance Canada. BPN Canada plays a leading role in supporting our D&I visible minority goals in Canada; VAC Canada serves as an important bridge to the Canadian defence community, of which BMO is the official bank; GenBMO Canada is focused on championing the recruitment, development and retention of employees from younger generations, and helps foster highly functional multigenerational teams across BMO; and the Canadian Chapter of Latino Alliance Canada supports and actively assists in the recruitment, development, recognition and advancement of Latino employees.
- BMO's senior leaders, including our CEO, hosted listening sessions with ERG members in the United States and Canada to better understand their experiences and their perspectives on our D&I efforts.
 Conversations took place with the BMO

- Pride, Sharing Circle (focused on Indigenous people), Asian-American Coalition of Employees, Black Professionals Network and Latino Alliance ERGs. These insights will influence the direction we take in our D&I strategies and initiatives.
- In order to advance our gender equity and people of colour D&I priorities across the United States, we established the U.S. Executive Action Committee for D&I, which is responsible for supporting the development and advancement of diverse talent. The mandate of BMO's U.S. Chief Human Resources Officer was also expanded to include accountability for diversity and inclusion across our U.S. operations, which will help focus our efforts in support of those priorities.
- We launched an external <u>Indigenous</u> <u>Landing Page</u> profiling indigenous employees, career opportunities, partners, recognition and Indigenous Banking Value Proposition.

Age of Workforce



Age-Group Category	Female	Male	Enterprise
Gen Z (1996 or after)	4.3%	4.1%	4.2%
Millennial (1980–1995)	39.5%	45.9%	42.4%
Gen X (1966-1979)	34.4%	33.9%	34.2%
Boomers (1946-1965)	21.8%	16.0%	19.1%
Pre-Boomers (1945 or before)	0.0%	0.1%	0.1%



Our Bold Commitment Double the volume of BMO's Indigenous Banking business

FINANCIAL INCLUSION

As we pursue our Purpose, we intend to play a significant role in fostering inclusive relationships with our customers. By committing to create value that can be shared with the world around us, we also support and enhance the well-being of our shareholders, customers and communities.

Framing the topic

What we mean by financial inclusion:

Meeting the needs of underserved and remote communities and creating specialized products and services that make our offerings more accessible to specific groups.

Who has responsibility: Responsibility for administering our programs for underserved communities is delegated to product groups within the various lines of business. For example, business with Indigenous communities is primarily managed by the Indigenous Banking unit, a line of business within our Canadian Personal and Commercial Banking operating group.

INDIGENOUS COMMUNITIES Our Approach

Established in 1992, the BMO Indigenous Banking unit is the leading provider of

financial services to Indigenous communities in Canada, supporting their economic growth and prosperity in a variety of ways.

Our strategy is closely aligned with the four pillars of the Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business: employment, business with Indigenous peoples, procurement, and community investment. BMO has been certified at the gold level of the PAR program on five consecutive occasions.

Through our network of branches serving Indigenous customers, both on and off the reserve, and through our financial education programs for Indigenous young people and elders, we are making our financial products and services more accessible. In order to address barriers to home ownership on reserves caused by the restrictions set out in the Indian Act, we created the On-Reserve Housing Loan Program, which offers home loans with terms and conditions that are similar to those available to non-Indigenous people.

We are also supporting the economic growth of Indigenous communities when we provide trust services, investment management solutions and long-term financing for onreserve infrastructure and economic development. BMO's highly qualified bankers work in the field, meeting regularly with customers face-to-face and making decisions that are based on local considerations.

We measure the effectiveness of our program by the volume of business we conduct with Indigenous communities, as well as by tracking performance benchmarks such as PAR certification.

We made improvements to our credit policies and procedures in 2019 - for example, extending amortization periods to 25 years for infrastructure loans on reserves – that will help us make progress toward our goal of doubling the volume of BMO's Indigenous Banking business by 2025.

Fast Facts: BMO Indigenous Banking Unit

- Established in 1992 by Ronald Jamieson. a member of the Mohawk Nation from the Six Nations Reserve and an Order of Canada recipient
- · More than \$4 billion in deposits, loans and investments in about 250 Indigenous communities
- · Growing at 15% year-over-year
- 14 branches on or adjacent to Indigenous lands, with another 80 branches serving Indigenous communities
- Plans to contribute more than \$8.1 million to 16 charitable and non-profit Indigenous organizations over the next 10 years
- · More than \$3 million donated by BMO Capital Markets to the Indspire scholarship program since 2005
- · Five-time gold-level certification for Progressive Aboriginal Relations from the Canadian Council for Aboriginal Business

\$2.7 billion*

in business with **Indigenous customers**



HIGHLIGHTS

- In 2019, BMO'S Indigenous Banking credit policies and procedures were replaced with new Indigenous Banking Financing Guidelines, which are based on BMO's updated principles-based lending philosophy. While not substantially different from our previous policies, the new guidelines make it easier for customers to access financing and reduce the time required for approvals. The guidelines also differentiate BMO from other banks by formalizing some of our standard practices for Indigenous communities which are unique in our industry such as offering longer amortization periods for loans.
- Two BMO clients Membertou First Nation and Six Nations of the Grand River Development Corporation – were recognized as 2019 Deloitte Best Managed Companies. BMO has close working relationships with these communities and has supported them in their pursuit of economic self-sufficiency.

- We created an educational program for BMO employees modelled on the Sharing Circle, a traditional Indigenous approach that ensures everyone participating in a conversation can be seen, heard and respected. The program focuses on cultural awareness, financial literacy and forms of credit, and is intended for employees in BMO branches that frequently serve our Indigenous banking customers. Information is tailored to specific geographic areas and is delivered by local experts, such as Chiefs from nearby First Nations, or lawyers and auditors who understand the treaties and financial arrangements in place in the area.
- BMO Capital Markets provided a \$50 million loan to support the expansion of a wind farm in Northern Ontario. The local Indigenous community has an agreement with the provincial government, which purchases the energy produced by the wind farm. The proceeds from these sales have been invested with BMO.

PEOPLE WITH DISABILITIESOur Approach

At BMO, we are committed to treating every person in a way that respects and supports their dignity and independence. We believe in integration and equal opportunity. As we pursue our Purpose and its set of related commitments, we are focused on removing all barriers to inclusion, including those that limit accessibility.

BMO has adopted accessibility standards similar to those set out in the *Accessibility* for *Ontarians with Disabilities Act*, and we are implementing them across North America. In terms of the built environment, these standards include:

- Barrier-free "beyond-the-standards" access at branches
- Compliance with all applicable regulations, including the Ontario Building Code and the Canadian National Building Code
- Improved access to our automated teller machines, with features that include audio directions and braille on functional areas
- Plans to provide unimpeded access at our U.S. retail locations, in accordance with the Americans with Disabilities Act

Our Accessibility Plan, which is outlined on our website, addresses issues such as accessible emergency information, employee training, workplace accommodation for people with disabilities, design of public spaces and more.

Customers Facing Financial Hardship

In 2019, flooding and wildfires caused financial stress for many of our Canadian customers, as well as our employees. BMO offered financial counselling to these customers, along with measures such as a disaster relief program, which allows for the deferral of up to three monthly payments. When wildfires struck in northern Alberta in May 2019, we deployed a mobile branch at the evacuation site.

In the United States, BMO Harris has a partnership with SpringFour, a technology platform that connects customers facing financial difficulty with trusted local, state and national organizations. With a simple search by zip code, SpringFour can provide people with contact information for organizations in their area that will help them manage their payments. Together, BMO Harris and SpringFour were named as finalists for the 2019 BAI Global Innovation Awards in Societal and Community Impact.

Free or Discounted Services

Number of recipients	2019	2018	2017
Canada			
Seniors	1,271,325	1,140,050	1,108,147
University and high school students	347,097	334,364	345,156
Local and non-profit organizations	44,497	46,597	49,143
United States			
College students	19,120¹	34,086	57,460
Under 25	42,208¹	29,384	10,001
Non-profit organizations	20,972	20,686	20,934

¹ BMO Harris now serves under 25 and college student customers through one product, which explains the decline in college student accounts and the increase in under 25 accounts.





BMO received an outstanding rating in our *Community Reinvestment*Act examination

HIGHLIGHTS

- We established BMO Without Barriers, an enterprise resource group in Canada and the United States that brings together employees interested in helping us meet our commitment to removing barriers and improving access for employees and customers with both visible and non-visible disabilities.
- BMO is partnering with the Planned Lifetime Advocacy Network (PLAN) to increase awareness of Registered Disability Savings Plans (RDSPs), which are registered matched savings plans intended for people living with disabilities. In 2019, we helped 31 individuals enrol in RDSPs.

COMMUNITY DEVELOPMENT LOANS

Our Approach

Under the U.S. Community Reinvestment Act (CRA), federally insured depository institutions like BMO Harris have an obligation to support the credit needs of the communities in which they are located. For us, that's one component of a broader commitment that extends from community-based financial literacy programs and small business financing to major urban redevelopment projects.

BMO Harris provides mortgages to thousands of qualified low-income home buyers every year, and also works with programs like I-REFI, which provides up to US\$50,000 in federal assistance to help people with mortgages in at-risk communities in Illinois keep their homes.

We make millions of dollars available every year as credit for small businesses. We also work to advance community projects in areas that are home to people with low and moderate incomes, forming strategic partnerships with housing agencies and elected officials and applying our expertise in structured financing and accessing government funding.

Working with partners in our communities, along with private industry and government, we help to build libraries and community centres that provide spaces to gather, learn and grow.



Loretta Minor, U.S. CRA Relationship Manager.

HIGHLIGHTS

- · BMO Harris provided US\$28.3 million in financing towards the renovation of the historic Ford Plant in Indianapolis, Indiana. The transformation of this deteriorating warehouse will bring affordable housing, office and retail space to an area hit hard by the Great Recession of the late 2000s. Nearly half of the housing will be set aside for people earning 80% or less of the area median income, with the remaining units rented at market rates that are still considered affordable. An estimated 60 fulltime jobs will be created with the addition of the retail space. Funding included a grant from the City of Indianapolis, federal historic tax credits and tax increment financing bonds.
- BMO received an Outstanding rating in our most recent Community Reinvestment Act examination, which is testament to the bank's commitment to communities.



Our Bold Commitment

Drive inclusive economic development through a partnership with United Way of Greater Toronto and a \$10 million donation

CONTRIBUTING TO COMMUNITIES

At BMO, we recognize that our success relies on the well-being of the communities where we do business, as well as the relationships we have within those communities. By supporting local efforts to build vibrant and inclusive neighbourhoods, in which everyone can reach their full potential and local businesses can thrive, we also help build the foundation of a more prosperous and equitable economy, in which every community can share.

Framing the topic

What we mean by contributing to communities: Providing support to communities through a variety of initiatives and programs, such as corporate donations, sponsorships and employee volunteering.

Who has responsibility: BMO's Chief Human Resources Officer has overall responsibility for community giving. Separate corporate donations committees in Canada and the United States have responsibility for exercising effective oversight and decision-making in the governance of community giving initiatives, budgeting and the management of reputation risk. Any significant conflicts of interest, or appearances of conflict of interest, are promptly escalated for review in accordance with BMO corporate policies. BMO's Chief Marketing Officer is the most senior executive with responsibility for sponsorships.

COMMUNITY GIVING

Our Approach

The BMO community giving strategy calls on us to learn continuously, so that we can understand the broader impact of everything we do. As we engage with our community partners, we work to ensure that we are well-prepared to address opportunities and challenges that the future holds. Our core values of integrity, empathy, diversity and responsibility, as well as our guiding principles regarding social change, financial resilience, community-building and economic impact, inform and shape our work with community partners to develop forward-thinking solutions that can achieve positive results, equitably and effectively.

With a focus on collaboration, learning and innovation, we provide financial support to registered charities and non-profit organizations, and we work closely with them to drive positive lasting change. The delivery of our community giving strategy is characterized by an impact approach, because we believe in constantly challenging ourselves and others to look critically at our donations work in order to sharpen our thinking, replicate good models or innovate to create more effective ones.

The Community Giving Operating Procedures are reviewed and updated biannually to ensure that they remain relevant.

HIGHLIGHTS

Bringing innovative, locally focused and collaborative approaches to building strong neighbourhoods – BMO and United Way share a common belief that the best way to address economic disparity is to act locally and collaboratively. In partnership with United Way Greater Toronto and United Way of Metro Chicago, BMO is driving locally focused, innovative approaches to spur economic activity through jobs and entrepreneurship in Toronto's Greater Golden Mile neighbourhood and the Chicago neighbourhood of Austin.

The Inclusive Local Economic Opportunity (ILEO) initiative was announced a year ago when BMO donated \$10 million to United Way Greater Toronto. Specifically, ILEO has brought together corporate leaders, community partners, and the public sector to look at new ways of combatting the lack of economic inclusion in Scarborough's Golden Mile neighbourhood. Several projects are already in discussion – from establishing a Small Business Catalyzer that will offer free business, accounting and legal advice, low- or rent-free space and ongoing support for local residents wanting to start a small business, to community partners negotiating agreements with developers to ensure at-risk youth and local residents are trained and hired to work on public infrastructure projects.

In Chicago, BMO Harris' recent donation to United Way is part of the city's larger initiative meant to spur development in 10 neighborhoods on the city's South and West sides. BMO Harris is the first corporate sponsor of INVEST South/West, committing \$10 million to the initiative.

 Skills for the knowledge economy – BMO pledged \$5 million to the University of Toronto – our largest donation to date to a Canadian post-secondary institution – for naming rights for the BMO Lab for Creative Research in the Arts and AI. An initiative of U of T's Centre for Drama, Theatre and Performance Studies, the BMO Lab is the first global project that will engage artists, researchers, scientists and students from around the world in transdisciplinary collaborative research on artificial intelligence as a medium for creative human expression. At the BMO Lab, students from the humanities, social sciences, sciences and engineering departments will gain invaluable experience as they collaborate across disciplines to explore the creative possibilities that AI and other technologies can offer. Working together to solve practical technological challenges, students will be encouraged to develop hybrid ways of thinking that will enable them to approach problem-solving from multiple perspectives. The lab will also engage them in experiential learning and transdisciplinary problem-solving, reimagining graduate and undergraduate education and preparing students for the future of work.





- Improving access to health care St. Paul's Hospital in Vancouver will establish the BMO First Nations Health Authority Heart Health Wellness Chair, funded by a \$2 million pledge from BMO. The Chair will advocate for improved access to timely care and treatment, community health promotion and disease prevention, and research and education, working with First Nations communities in British Columbia to address the priorities of the Indigenous population. BMO's pledge will also support a Nurse Educator position, specializing in Indigenous wellness, and two Indigenous health workers, who will work in the community to help deliver safe and culturally appropriate services for people at risk of an overdose.
- United in diversity To recognize and celebrate stories that illuminate Vancouver's Chinese-Canadian experience, BMO pledged \$1 million to the Vancouver Chinatown Foundation (VCF) as the founding sponsor of its new Chinatown Storytelling Centre. The VCF is reinventing a former Bank of Montreal branch as a museum, storytelling centre and business resource. The centre will be the home of the BMO Learning Labs, a space in which students, adult learners, educators and curators come together to stimulate thought and dialogue on the subjects of immigration, racism and discrimination, adversity and triumph, community-building, civic action, social justice, cultural heritage, diversity and shared intercultural history.
- Investing in tomorrow's teachers and students – BMO Harris pledged US\$200,000 to Golden Apple Foundation, an organization with a mission to inspire, develop and support teacher excellence in schools-of-need in Illinois. Through its Golden Apple Scholars program, the foundation recruits student candidates who have made a career decision to teach in schools-of-need in Illinois for a minimum of five years after graduation. The candidates largely represent diverse, firstgeneration college goers, recruited from the communities in which Golden Apple can later place them to serve as highly effective teachers. They receive scholarships, as well as academic, socio-emotional and instructional support, as they complete an undergraduate degree. BMO Harris also pledged US\$150,000 to OneGoal, an organization with a mission to enlist and train the best educators in the United States to teach underperforming high school students about enrolling and succeeding in college. OneGoal focuses on students who have the potential to succeed in college but who, without some intervention, would have extremely limited prospects for post-secondary education.
- Veteran health care BMO Harris made a US\$100,000 donation to support the development of 101 new housing units for homeless veterans and veterans at risk of homelessness at the Milwaukee VA Soldiers Home. The new facility will provide targeted services, such as addiction treatment and supportive care, financial literacy information and employment coordination.

EMPLOYEE GIVING AND VOLUNTEERINGOur Approach

We understand that BMO can play an important role in convening stakeholders around important issues. Together with our employees, we can be champions for progress and catalysts for positive change that sustains growth and enhances social good.

Employee giving and volunteering are central to our culture, and we offer unique opportunities for all of our employees to come together during business hours in support of a variety of causes. Employees are involved in fundraising for Kids Help Phone, United Performing Arts Fund, United Way and other important organizations. They volunteer in community programs throughout the year, and especially on BMO Volunteer Day and Days of Caring.

BMO's pro bono legal program provides free legal services to low-income and vulnerable people in need. We are proud of our commitment, as a Corporate Pro Bono Challenge Signatory, to provide these services at no cost.



HIGHLIGHTS

- 92% of our employees participated in the BMO Employee Giving Campaign, donating \$23 million to local United Way organizations and other charities across North America.
- Walk so Kids Can Talk is a major fundraising event presented by BMO for Kids Help Phone, Canada's only 24/7 national support service for youth. The annual event helps ensure that the Kids Help Phone services are always available for children who need counselling. In 2019, more than 9,100 BMO employees, their family members and friends participated in the five-kilometre walk, raising more than \$1.9 million.
- BMO Volunteer Day is a special day that we set aside each year for employees who want to lend a helping hand to local charities and community groups instead of coming to work. More than 4,400 of our employees participated in the June 2019 event across our North American footprint, as well as in Ireland and the United Kingdom.

- BMO is involved in Days of Caring, in partnership with United Way Centraide across North America. Days of Caring involve unique volunteer activities at United Way member agencies that enable our employees to share their talents and help lift neighbourhoods by lending a hand as United Way puts our donations to work.
- In the United States, our pro bono legal program focuses on immigrant communities, where we handle asylum matters, assist young immigrants who were brought into the country as children in renewing their Deferred Action for Childhood Arrivals (DACA) applications, and help low-income immigrants complete their applications to become U.S. citizens. In addition, through the support we provide for people in need through the National Immigrant Justice Center, two individuals were granted asylum in the United States in 2019. We also partnered with Chicago Volunteer Legal Services (CVLS) to interview potential clients at an intake clinic, thereby enabling CVLS staff to spend more time serving their current clients.



More than 4,000 employees participated in BMO Volunteer Day in 2019.

• In Canada, our pro bono legal program continued to provide powers of attorney and advance care directives to patients in local hospitals, and supported our colleagues in the United States by providing translation services on asylum matters. Together with local law firms, we staffed Pro Bono Ontario's Legal Advice Hotline for one week every three months, providing free legal advice to low-income Ontarians on civil litigation, employment, housing and consumer issues. We also partnered with Pro Bono Ontario on an education law project, helping students and their parents navigate the public education system and understand their legal rights in relation to special education, discipline, enrolment and school safety.

\$67.2 million*

in donations to registered charities and non-profit organizations in Canada and the United States



SPONSORSHIPS

Our Approach

BMO partners with the organizers of festivals and cultural events, as well as professional sports teams, to enrich community life and raise the profile of the BMO brand. Our sponsorships also offer us an opportunity to make a personal connection with consumers, and to show our appreciation to our customers with special benefits and incentives. We select sponsorships based on the community impact and social benefits they can deliver, along with the business relationships they can create for BMO.

BMO supports a variety of sponsorships, ranging from high-profile events, such as the BMO Harris Bank Magnificent Mile Lights Festival, to grassroots cross-country initiatives that offer young people and their families an opportunity to experience the benefits of engaging in a variety of sports.

HIGHLIGHTS

 With close ties to the Canadian agricultural community, BMO sponsored the Canadian Western Agribition in Saskatchewan and the Royal Agricultural Winter Fair and the International Plowing Match and Rural Expo in Ontario. BMO has the largest portfolio of agricultural loans of all chartered banks in Canada, and we are the second-largest nongovernment lender to the agriculture and agri-food industry sectors in North America.

- We continued our long-standing support of the LGBTQ+ community with the 24th Annual Pride and Remembrance Run in June 2019. The run was the largest fundraising event held during Pride Month celebrations in Toronto. In total, it has raised more than \$2 million for local charities that support the LGBTQ+ community. In the United States, BMO Pride employee groups participate in many community LGBTQ+ events, including the annual Chicago Pride Parade in partnership with the Chicago Bulls.
- Other marquee sponsorships include Summerfest in Milwaukee and the BMO Vancouver Marathon. We also sponsor professional sports teams in Canada and United States, including the Toronto Argonauts and Montreal Alouettes in the CFL; the Chicago Blackhawks and Minnesota Wild in the NHL; the Milwaukee Bucks and Chicago Bulls in the NBA; the Chicago White Sox in the MLB; and the Montreal Impact, Vancouver Whitecaps and Toronto FC in the MLS.

The BMO "She's Newsworthy" campaign, celebrating the leadership achievements of Canadian women, won gold in the Media category of the Sponsorship Marketing Council of Canada's annual award program



BMO's Pro Bono Legal Program

1

Number of new agencies or projects in Canada in 2019

295

Total Canadian volunteer hours in 2019

38

Number of volunteers in Canada



7

Number of new agencies or projects in the U.S. in 2019

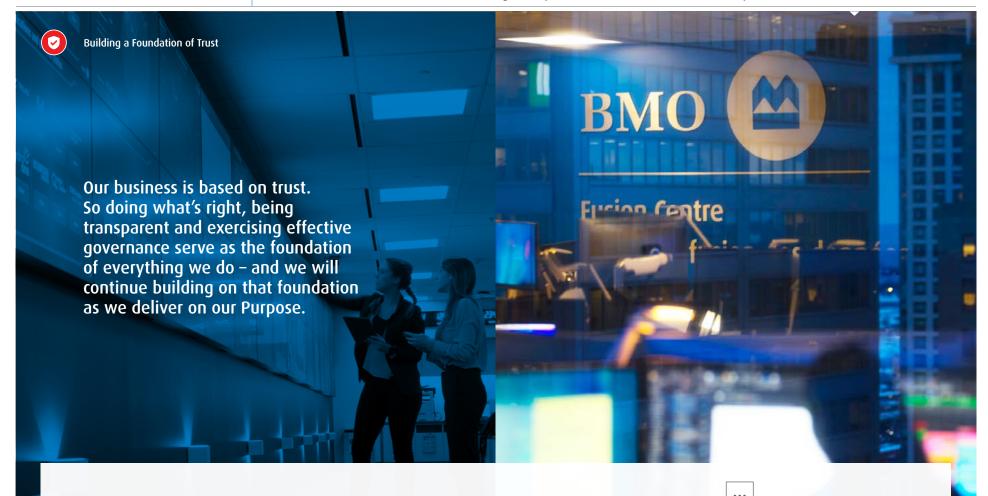
1,182

Total U.S. volunteer hours in 2019

72

Number of volunteers in the U.S.





35.7%

of the independent directors on BMO's Board are women 52

enterprise-wide Net Promoter Score 85%*

Employee Engagement Index – our highest score to date Alignment with SDGs













Priority Topics in This Section

Business Conduct
Consumer Protection and Transparency

Corporate Governance

Customer Experience

Cyber Security, Information Security and Privacy

Employee Engagement

Executive Compensation

Human Rights

 $\,$ BMO Financial Crimes Unit employees at work in the new BMO Fusion Centre.



Fighting Crime

BMO's industry-leading Financial Crimes Unit protects customers' information, assets and peace of mind by unifying bank-wide defences under a central, integrated team. "Not too long ago, banks were fortresses," says Larry Zelvin. "Branches had concrete and marble walls, tellers worked behind bars, vaults had steel doors – there was lock upon lock upon lock. You couldn't get into these places with a tank. Now, thanks to modern technology, in some cases all you need is a password."

A veteran security expert, Larry joined BMO to help tackle a challenge facing all banks, and indeed every organization that uses digitized information to deliver convenient, personalized service: How can we protect individuals, businesses, communities – everyone in the digital ecosystem – from cyber attacks, fraud and physical security threats?

"People trust us to protect their money but want to have relatively easy access to it as well," says Larry. "They want the convenience of managing their own finances and banking on the move, but they also expect 100% security."

As BMO has invested significantly over many years in our digital platforms, we've made it a priority across all of our businesses to adopt advanced technologies, processes and expertise to defend against potential threats. Now we've taken that preparedness a step further, integrating our bank-wide defensive capabilities into a central function: the Financial Crimes Unit (FCU).

Security profile: Larry Zelvin

Head, BMO FCU since January 2019. Previously global head of cyber security for a top 10 U.S. bank.

Earlier roles with the U.S. Department of Homeland Security, the White House National Security Council (Obama Administration) and the U.S. Navy, serving as a Naval Officer and Aviator for 26 years. Assisted in the U.S. government response to many landmark security events, including the 9/11 terrorist attacks, Hurricane Katrina, the 2010 Deepwater Horizon oil spill and the 2011 tsunami and nuclear disaster in Japan.

"The FCU is the apex of my career to date: all the lessons I've learned in banking and government are coming together here. By doing something that no one has done before, BMO will be a true global leader in security, which will further aid the bank to 'boldly grow the good – in business and in life."

SECURITY FOR THE 21ST CENTURY

Launched in January 2019 under Larry's leadership, the FCU sets a new benchmark for the banking industry by bringing together information security, fraud management and physical security – along with experts from each of BMO's businesses – in one cohesive team. This highly collaborative approach enables us to detect, analyze and respond to security events faster and more effectively than ever before. The FCU also uses predictive systems based on artificial intelligence to address security threats proactively – and the team is developing more advanced solutions all the time.

"The FCU is more than the next evolution of BMO's security capabilities," Larry says. "The innovation you're seeing here, the culture of experimentation, the constant desire to learn – we're building the 21st-century global model for security. That's not just a bumper sticker slogan. It's a bold long-term initiative driven by BMO's Purpose."

THE BMO FUSION CENTRE

At the heart of the new initiative is the Toronto-based BMO Fusion Centre, a stateof-the-art security management hub. "This is the first centre of its kind in our industry," says John Galluzzo, who heads FCU Integration and Engagements. "It sums up what the FCU's innovative approach is all about - combining cyber, fraud and physical security, as well as crisis management, within a single group," Integrating functions that have long tended to operate in silos, the FCU takes a more holistic approach, with multidisciplinary teams leveraging big data to model, detect and develop effective responses to anomalous activities.

This coordinated effort yields a deeper understanding of criminal tactics and techniques, allowing the FCU to enhance the bank's defenses. "When bad actors practice their tradecraft, they follow patterns," Larry explains. "If we catch them on step three of ten, we can create friction and hopefully stop them."

PROTECTING THE FUTURE

The FCU moved from concept to launch in record time, thanks to the close collaboration of groups across BMO. We brought together more than a dozen specialized teams, from risk and anti-money laundering to communications and legal. Enterprise Data & AI provided expertise in data analytics, artificial intelligence and IT architecture. And Corporate Real Estate supervised the building of the Fusion Centre. The result is an integrated unit that delivers on its mandate while operating with optimum efficiency.

Moving forward, the FCU is looking at creating additional teams in other financial hubs around the world, expanding BMO's security capabilities to meet the challenges of diverse political and socioeconomic contexts.

"We're not just protecting the bank's bottom line," Larry says. "We're protecting the financial lives and future aspirations of our customers, our employees – everyone who interacts with our bank. We want them to feel the same trust today that people did back in the days of steel vaults and marble walls. Through the FCU, we're delivering the very high level of security they expect and deserve."

BUSINESS CONDUCT

The way we conduct our business directly impacts our customers and other stakeholders, and the trust they place in us. Our commitment to ethical business conduct is integral to our Purpose – and essential for performing our critical role in the financial system and broader economy, and for cultivating strong relationships with employees, customers and communities.

Framing the topic

What we mean by business conduct:

Behaviour that is consistently aligned with BMO's values and Code of Conduct, resulting in positive outcomes for all of our stakeholders.

Who has responsibility: We all do. Everyone who works for BMO is committed to doing the right thing, every day. BMO's Chief Ethics & Conduct Officer reports regularly on the state of conduct across the organization to senior management and the Audit and Conduct Review Committee of our Board.

OUR APPROACH

BMO's Code of Conduct (the Code) is the foundation for all of our activities and our guide for ethical business conduct. As an expression of our values of integrity, empathy, diversity and responsibility, our Code informs our culture, decision-making and business practices. To further support this, some of our operating groups have made additional voluntary commitments that apply to conduct in their areas of operation.

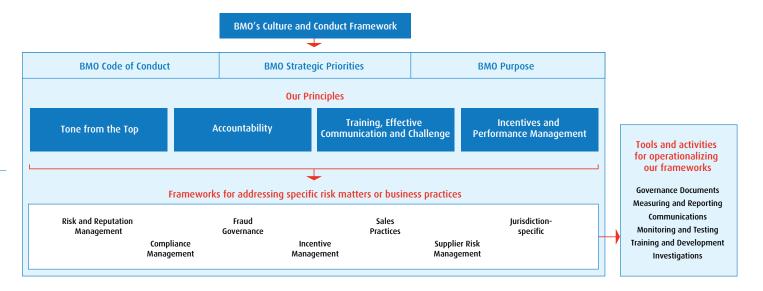
Our Culture and Conduct Framework sets out a holistic approach to consistently identifying, managing and reporting on potential misconduct by bringing together the various provisions and activities related to culture and conduct within our organization.

Every year, all BMO employees must complete our Ethics, Legal and Compliance Training (ELCT) program, covering a range of topics that include ethical business conduct, information security and anti-corruption measures. The training is scenario-based and demonstrates the application of our principles in situations related to specific roles. Extensive ongoing ethics communication efforts also help ensure that our employees have a shared understanding of our collective responsibility to do what's right, every day, and to speak up candidly when they have questions or concerns.

Our Enterprise Conduct Forum (ECF) is comprised of stakeholders from across BMO, who come together to review, share and discuss information related to culture and conduct. ECF members also provide conduct-related data for inclusion in quarterly reports to senior management and BMO's Board, which identify emerging trends that could give rise to potential misconduct.

Related BMO policies, statements and reports

- · BMO's Code of Conduct
- · Supplier Code of Conduct
- Statement on Anti-Corruption and Anti-Bribery



BMO's Code of Conduct: www.bmo.com/home/about/banking/corporate-information/codeofconduct
Supplier Code of Conduct: www.bmo.com/home/about/banking/corporate-information/supplier-information/supplier-code-of-conduct
Statement on Anti-Bribery and Anti-Corruption: corporate-responsibility.bmo.com/our-approach/statement-on-current-issues



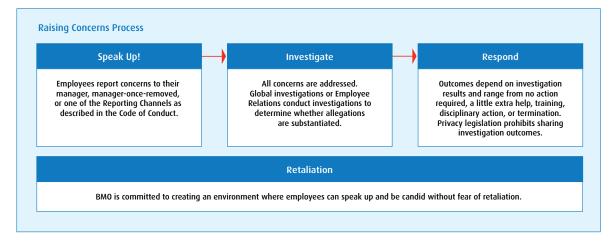
99.7% of employees completed ethics training for 2019

To evaluate employee awareness and knowledge regarding BMO's expectations for ethical behaviour, we also consider:

- Employee interactions with communications related to our Code
- Rates of successful completion for the courses in our ELCT program
- Responses to questions on risk and ethical culture in our annual BMO Pulse employee survey

Our Supplier Code of Conduct sets out specific expectations related to supplier integrity, fair dealing and sustainability.

Part of our commitment to ethical business conduct means maintaining zero appetite toward bribery and corruption as it involves our BMO employees. Our Anti-Corruption team manages the Anti-Bribery and Anti-Corruption Program to ensure employees comply with anti-bribery and anti-corruption laws, identify and avoid corrupt activities, and report suspected corrupt activities.



HIGHLIGHTS

For the second year in a row, Ethisphere®, a global leader in defining and advancing standards of ethical business practice, named BMO one of the World's Most Ethical Companies®. BMO was one of 128 companies worldwide, one of only three companies in Canada – the only bank in Canada, and one of five banks worldwide – to be named to the list.

• We were involved in several industry forums that shared best practices in governance, risk management, compliance and ethics. For example, BMO hosted a roundtable of Ethisphere®'s Business Ethics Leadership Alliance focused on lessons learned in building best-in-class ethics and compliance programs. As a member of the Ethics and Compliance Initiative Fellows program, we were active in developing white papers on anti-retaliation, as well as on transparency and trust.

SPEAK UP!

As stated in our Code of Conduct, our employees are expected to be alert to possible violations of the Code, including all relevant legal and regulatory requirements. They are encouraged to discuss concerns with their manager first, or with their manager's manager (manager-onceremoved). Employees can also use one of the reporting channels outlined in the Code, including BMO's Speak Up! service, where employees can report concerns to the Ombudsman on a confidential and anonymous basis. We supplement these provisions with internal tools (e.g., process and procedural documents, job aids) that set out the process, accountabilities and contact details for the various reporting channels, as well as BMO's commitment to protecting employees against retaliation.



CONSUMER PROTECTION AND TRANSPARENCY

Robust and effective consumer protection and transparency practices support our customers' confidence in the financial decisions they make – and in BMO as their bank. We can show our customers that they're important to us by always honouring our obligations related to marketing practices and the disclosure of information about our products and services, as well as by providing clear, relevant advice that addresses their needs and helps them safeguard their financial future.

Framing the topic

What we mean by consumer protection and transparency: Ensuring that the bank's financial products and services are secure and that the bank and its employees provide transparent information and advice.

Who has responsibility: BMO's General Counsel is ultimately responsible for ensuring that the bank adheres to all applicable consumer protection and transparency policies. The Office of the General Counsel works with BMO's compliance function to ensure that all consumer protection policies are being provided to every employee.

OUR APPROACH

We take seriously our responsibility to protect our customers and help them make financial decisions that are in their best interest. Our banking and investment offerings are customer-centric and are designed to deliver exceptional customer experiences. Part and parcel with this are BMO's compliance with consumer protection laws and regulations, as well as with numerous voluntary codes of conduct and public commitments around the fair design and sale of financial products and services, which are listed on the BMO website.

Our <u>Code</u> of <u>Conduct</u> provides guidance for our employees, emphasizing that they need to take time to get to know their customers, to understand BMO products and services and the rules that apply when selling them, and be mindful of the legal and regulatory requirements that concern collecting, using, disclosing and accessing customer information.

Front-line employees receive training and specialized tools that equip them to answer customers' questions and recommend the appropriate products. They are also trained to identify potential financial abuse of vulnerable customers, such as seniors, and to respond appropriately.

Our marketing materials and product documentation are customer-focused and use clear and simple language, with terms and conditions described, so that our customers can understand details such as costs, fees, risks, and limitations and exclusions.

BMO's Legal & Regulatory Compliance group worked with the bank's Machine Learning and Artificial Intelligence group to develop an innovative approach to our compliance monitoring activities.

BMO also participates actively in industry working groups, submitting comments and suggestions related to proposed regulatory developments for the benefit of our customers.

BMO's customer metrics, such as loyalty scores, retention rates and number of complaints, help us assess the effectiveness of our consumer protection and transparency practices.

HIGHLIGHTS

- To protect seniors and other vulnerable clients, we launched a Vulnerable Customer Program across Canada in 2019, and we are considering the launch of a similar program in the United States. The program gives front-line employees practical guidance on identifying potential abuse, escalating any concerns, protecting customers and accessing the appropriate resources. The program was recognized by the Canadian Lawyer InHouse Innovatio Awards in the category of litigation management.
- BMO played an important role in an industry working group that developed a voluntary, principles-based Code of Conduct for the Delivery of Banking Services to Seniors. We were actively engaged in the creation of this Seniors Code, which will primarily affect our Canadian personal banking business when it becomes fully effective on January 1, 2021. While our current practices already reflect most of these principles, we are making some improvements to, and we will appoint a BMO Seniors' Champion to advocate for the banking needs of Seniors.

Related BMO policies, statements and reports

- · BMO's Code of Conduct
- · Coercive Tied Selling brochure

Corporate website: www.bmo.com

BMO's Code of Conduct: www.bmo.com/home/about/banking/corporate-information/codeofconduct Coercive Tied Selling brochure: www.bmo.com/bmo/files/images/3/1/CoerciveTiedSelling_eng.pdf



CORPORATE GOVERNANCE

We believe that exercising effective corporate governance is essential to pursuing our Purpose and achieving sustainable performance, today and into the future. The principles, guidelines, practices and relationships defined in our governance framework help us balance the interests of our many stakeholders, comply with the laws and standards that apply to us, and conduct our business responsibly.

Framing the topic

What we mean by corporate governance:

Stewardship, direction-setting and general oversight of environmental, social and governance issues that enhance trust and shareholder value; and a Board of Directors that demonstrates independence, experience and diversity.

Who has responsibility: BMO's Board of Directors

OUR APPROACH

Our commitment to exercising sound and effective corporate governance is integral to our business. We apply high standards that reflect evolving best practices and meet or exceed all of the relevant legal, regulatory, TSX and NYSE requirements. Recognizing that good governance is a dynamic process, we regularly assess and update our practices to ensure continued regulatory compliance and ongoing improvement in accountability, transparency and shareholder value.

The effectiveness of BMO's corporate governance starts with our Board of Directors. We have a diverse and highly experienced Board, and we benefit greatly from our directors' insights and expertise. Directors serve on committees that exercise the Board's responsibilities in the key areas of audit and conduct, governance and nominations, human resources and risk.

Learn more about our governance practices

Board Diversity Policy

Shareholder Engagement Policy

Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures

Statement of Corporate Governance Practices

2019 Management Proxy Circular

The following table from our <u>Statement of Corporate Governance Practices</u> provides a snapshot of key governance practices:

Corporate Governance Snapshot			
Size of the Board	15	Director Tenure Policy	1
Number of independent directors	14	Directors' Conflict of Interest Policy	1
All committee members are independent	1	Board and committee chair term limits	1
Directors are elected annually	1	Director Share Ownership Guidelines	1
Directors are elected individually (no slate voting)	1	New Director Orientation	1
Majority Voting Policy for the election of directors	1	Continuing Director Development	1
Annual advisory vote on approach to executive compensation	1	Regular assessments of the Board and its committees	1
The roles of Chair and CEO are separate	/	Code of Conduct rooted in our values	1
Policy on Interlocking Directors	1	Legal Entities Report and leading subsidiary governance practices	1
Directors cannot hedge their BMO securities	1	Non-executive directors cannot participate in BMO stock option plans	1
		Proxy Access Policy	1

Our Shareholder Engagement Policy encourages an open dialogue and the exchange of ideas with shareholders and other stakeholders. In January 2019, the Chair of the BMO Board hosted a biennial institutional shareholders' luncheon, inviting all Board committee chairs and representatives of nine investor firms and the Canadian Coalition for Good Governance. Our senior leaders and Investor Relations team followed up with attendees afterward to discuss any outstanding questions related to management activities.

BMO has also adopted a Proxy Access Policy – another example of our willingness to engage with the broader shareholder community. The Board reviewed current proxy access models and consulted with external legal advisors to develop a policy

that would enable qualifying shareholders to have their own director nominee(s) included in BMO's Management Proxy Circular and form of proxy. Our policy is generally consistent with those in place in the United States, with some differences that reflect the Canadian statutory regime.

Proposals from shareholders are included in BMO's Management Proxy Circular, along with the Board's recommendations and reasons for voting for or against each proposal. Of the four shareholder proposals that appeared in the 2019 Management Proxy Circular (see page 53), two were presented to our shareholders for voting purposes and, after discussions with the investor who had submitted them, two were included for informational purposes only.

Board Diversity Policy: www.bmo.com/home/about/banking/corporate-governance/board-of-directors/board-diversity
Shareholder Engagement Policy: www.bmo.com/home/about/banking/corporate-governance/about-us/shareholder-engagement-policy
Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures: corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement of Corporate Governance Practices: www.bmo.com/home/about/banking/corporate-governance/about-us/statement-of-corporate-governance-practices
2019 Management Proxy Circular: www.bmo.com/home/about/banking/investor-relations/annual-reports-proxy-circulars



SUSTAINABILITY GOVERNANCE

BMO's directors are recruited and evaluated based on a skills matrix that includes

sustainability experience, and eight of our

14 current independent directors have such

experience. Responsibility for sustainability

issues falls within the mandate of the Board of Directors and those of several of its committees. For example, the Audit and

Conduct Review Committee (ACRC) has

oversight responsibility for ethical business conduct, and sustainability, and for assessing

the effectiveness of BMO's governance of

and approves our annual Sustainability

Report and PAS. New and current Board

BMO's Sustainability Council, chaired by

support areas across the organization, provides guidance and insight on

sustainability matters.

BMO's General Counsel and comprised of

senior leaders from business and corporate

topics. For example, climate risk and

directors.

sustainability issues. The ACRC also reviews

members receive training on sustainability

disclosure training is available to all of BMO's



Winner of the Visionary Award for Innovation in Shared Value, presented by the Women Corporate Directors' Foundation in recognition of BMO's leadership in advancing women, as well as our environmental stewardship and financial performance

Board Oversight of Sustainability Issues

Promotes a culture of integrity and oversees compliance with our Code of Conduct

- Develops our approach to corporate governance, including policies that define specific authorities
- Oversees the strategic planning process and its implementation

Board of Directors

- Oversees risk management, internal controls and organizational structure
- Oversees communications and public disclosure, including the reporting process
- Oversees key leadership succession planning

Audit and Conduct Review Committee

Oversees issues related to:

- Conflicts of interest and ethics
- Internal control policies
- Legal and regulatory compliance
- Assessing the effectiveness of the bank's governance of sustainability issues
- Financial disclosure
- · Sustainability disclosure
- Sustainability governance

Governance and Nominating Committee

Oversees issues related to:

- Corporate governance (principles and guidelines)
- Director independence
- Director succession planning (identifying and recommending candidates)
- Assessment of the Board, Board committees and directors
- Director compensation

Human Resources Committee

Oversees issues related to:

- Executive compensation programs and related risk
- Talent development and performance assessment
- Retention strategies and succession planning

Risk Review Committee

Oversees issues related to:

- Identification and management of risk
- Enterprise risk management framework and its effectiveness
- Risk profile

HIGHLIGHTS

The Excellence in Governance Awards presented by the Governance Professionals of Canada celebrate good governance and the critical role it plays in enhancing the value of Canada's public companies, Crown corporations, government agencies and not-for-profit organizations, and in supporting the competitiveness of Canada's economy and its capital markets. BMO was honoured to receive the award for Best Practices in Subsidiary Governance in 2019.

35.7%

of the independent directors (5 of 14) on BMO's Board are women

52 enterprise-wide Net Promoter Score

CUSTOMER EXPERIENCE

BMO's first strategic priority is to achieve industry-leading customer loyalty by delivering on our brand promise. Our ambitions are bold: we don't just want to lead our industry, we want to change it – and be the first to market, whenever possible. Loyal customers spend more on our products and services, stay with us longer, and recommend us to their friends and colleagues – all of which supports sustainable, long-term growth. At BMO, we believe that we are all customer impacting, and that *every single one* of our employees is responsible for the experiences we provide for our customers. Customers are at the heart of our business, and gaining their confidence, trust and loyalty is what differentiates us in the market.

Framing the topic

What we mean by customer experience: Our Purpose at BMO is to Boldly Grow the Good in business and life and our customers are central to this purpose. At BMO, we put our customers first by delivering intuitive human experiences, grounded in customer feedback, that help build their confidence and trust and deepen our relationships. To deliver industry-leading customer experience every day, we operate as One Bank, providing seamless experiences across channels within our organization, and we listen to our customers, actively soliciting their input and acting on their feedback.

Who has responsibility: Our Net Promoter Score® (NPS) is one of five core enterprise-wide key performance indicators. The Group Head in each operating group, working with their team, is accountable for their NPS results, and for defining and delivering on their customer experience priorities. NPS is included as a metric in our executive compensation and incentive plans. The Vice-President, Enterprise Customer Experience, has overall responsibility for defining standards and governance, understanding our customers and our performance, gathering voice of customer data, measuring our customer loyalty performance, and enabling our front-line employees.

OUR APPROACH

At BMO, we firmly believe that the best solutions are developed with our customers – and this means listening to them and actively soliciting their input. Our goal is to meet our customers where they are, through the channels of their choice, and to let them know they have been heard.

We are constantly working to improve our channels of communication, so that we can be sure we are meeting our customers where and when it is most convenient for them. Through our digital channels, we are able to engage with customers proactively on a 24/7 basis – before questions become problems.

Our continued investments in digital technologies enhance the quality and quantity of the customer feedback we can gather. These technologies have accelerated the speed at which we can access and analyze feedback, generating powerful insights that we can act on – in real time. We have also developed applications such as the "ready to resolve" support tool, which helps our front-line employees identify and address customer pain points.

If a customer has a complaint, they can follow the specific and easily accessible steps set out on our websites and in our branches. As a first step, we encourage customers to speak to a representative at the branch or office in which the complaint originated. If a complaint remains unresolved, customers in Canada are invited to contact a senior officer and, if still not satisfied, BMO's Office of the Ombudsman. In the United States, customers are asked to call a toll-free number or complete an online form if they would like to report a complaint.

Stakeholder Engagement

The BMO Enterprise Customer Experience Council is comprised of executives from all of our operating and corporate service groups, which ensures that we have key stakeholder representation across the organization. Its mandate is to expand our customer experience capabilities, build shared accountability, and enable and inspire our employees to do everything in their power to improve the customer experience. The council publishes a biannual report that celebrates significant improvements in customer experience, shares how our customers feel about us, and provides tips from our leaders intended to inspire our teams to grow the good for the customers and communities we serve.

BMO's Customer Experience Community of Practice was relaunched in 2019 to connect practitioners across BMO. The group fosters shared problem-solving, idea generation and best practices that will support positive change and enable collaboration as one team to serve our customers in the best way possible.

How We Measure It

Net Promoter Score (NPS) is the primary metric we use to track and measure customer experience. We maintain active NPS programs across all operating groups and channels (e.g., customer contact centres and branches), and we take a sampling approach in gathering feedback. NPS results are reported to our Executive Committee and the Board of Directors on a regular basis. The annual enterprise NPS loyalty score is published in BMO's Management Proxy Circular, as part of the discussion of executive compensation, and in our Sustainability Scorecard (page 13). In addition to NPS, we monitor a variety of other metrics, such as the percentage of digital adoption across the customer base and the percentage of primary customers across all transactions, to ensure that we proactively track all aspects of the customer experience.



327,067

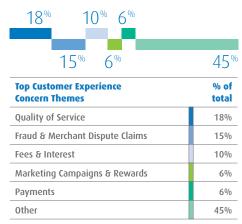
1,168,955

customer loyalty surveys conducted in 2019, compared to 350,937 in 2018

customer callbacks completed in 2019

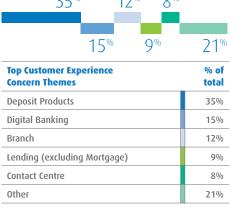
2019 Escalated Complaints¹ (Canada)

In Canada, escalated complaint volumes decreased by 8% from 2018 as a result of ongoing efforts to provide support to frontline teams in complaint resolution.



2019 Escalated Complaints² (United States)

In the U.S., escalated complaint volumes increased by 15.8%, primarily as a result of an isolated event related to BMO Digital Banking conversions.



- 1 In Canada, an escalated complaint is any dissatisfaction expressed about a product or service offered, sold or provided, that is escalated to the appropriate business group Senior Officer listed with the BMO Financial Group's complaint resolution process outlined in the "We're here to help" brochure
- 2 In the U.S., an escalated complaint is one that the initial contact employee cannot resolve immediately and therefore requires further review by the manager of the channel, Customer Advocacy Support and Escalation Team, Compliance or Legal. Includes all complaints directed to Executives and Board members.

HIGHLIGHTS

- BMO's North American Client Contact Centre (NACCC) is a critical customer service channel, managing more than 60 million interactions a year, including voice recognition, social media, online banking, chat and chatbot channels. Service levels at the NACCC were significantly improved in 2019, in large part as a result of the Effortless Experience coaching and training program. Most notably, the average time taken to answer a call once it had been routed to the contact centre declined by 13 seconds, or 3%, compared to 2018, despite an increase in the number of calls.
- Canadian Personal Banking successfully implemented a new customer feedback platform that generates real-time insights, as well as a robust callback program, which drove service excellence and strengthened customer loyalty across 87% of Canadian Personal Banking markets.
- At Canadian Business Banking, the problem resolution process was enhanced to address systemic issues and irritants, helping to build trust and create a positive impact for our customers. By focusing on front-line inquiry and proactive outreach as One Bank, this line of business reduced the volume of incidents reported by customers and achieved a 160% improvement in the number of problems resolved to customers' satisfaction.

- A consistent focus on seamless account transitions, proactive client contact and clear discussions on fees deepened client loyalty in Commercial Banking. The launch of new specialty teams for health care, franchising, equipment financing and other sectors positioned this line of business to better anticipate client needs – which is a primary client loyalty driver – and to maintain its leading performance.
- Recognizing that customers expect banking to be easy, our Treasury Payment Solutions group addressed a significant customer pain point by reducing the number of point-ofsale transactions for which a corporate credit card was declined from 70,000 to 40,000 per month in the United States.
- At Canadian Private Wealth, a deliberate
 One Wealth focus on financial planning and
 client engagement enabled Investment
 Advisor teams to better identify and
 support investment opportunities for their
 clients improving client loyalty (NPS) by
 an unprecedented 11 points.



- We opened a BMO branch in the new Stackt market in the heart of Toronto, so that we can explore new opportunities to enhance customers' in-branch experience. Using dozens of shipping containers, the developers of Stackt have transformed a vacant lot into a modular market. Customers can visit us in a convenient and relaxed environment. The location will also serve as a learning space for financial education workshops tailored to different age groups.
- In addition to training programs for front-line employees, we have introduced programs to help leaders and employees in non-customer-facing roles become more customer-centric and connect what they do to the customer experience. Some 1,522 employees participated in Think Like a Customer immersion programs in 2019 and 504 took part in workshops and virtual sessions in which they completed customer impact analyses for their roles and created personal customer experience goals.

BMO'S OFFICE OF THE OMBUDSMAN

As the final step in our Canadian internal dispute resolution process, the Office of the Ombudsman conducts a confidential and impartial review of customer complaints – grounded in fairness, integrity and respect. The process considers the interests of all parties, as well as applicable laws, policies and standard industry practices. Customers can also take their concerns to one of BMO's external dispute resolution providers – the Ombudsman for Banking Services and Investments or the OmbudService for Life & Health Insurance – for a further impartial, informal and confidential review.

The Office of the Ombudsman is constantly looking for ways to improve internal processes and ensure that customers are receiving assistance in a timely manner.

In 2019, the Office reviewed 402 complaints, of which 350 were Banking reviews and 52 were Investment reviews. This represents an increase of 38% compared with 2018. In the opinion of the Office of the Ombudsman, 225 of the Banking reviews and 27 of the Investment reviews were resolved to the customer's satisfaction.

The average length of time to complete Banking reviews was 37⁴ days, while the average length of time to complete Investment reviews was 41⁴ days. Over the past two years, the overall average time to complete reviews decreased by 46% as a result of process enhancements and efficiencies.

61



To learn more about BMO's information security practices and performance, see our Sustainable Accounting Standards Board Disclosure on page <u>81</u>.

CYBER SECURITY, INFORMATION SECURITY AND PRIVACY

Risks related to information security are now among the most significant risks facing BMO, and cyber-attacks and privacy breaches have generated serious concerns across all industries, including banking, in the past year. It's critical for our business, our brand and our reputation that we have robust processes and effective controls for managing the risks related to privacy and information security.

Framing the topic

What we mean by cyber security, information security and privacy:

Taking precautions that protect our business information, respect and safeguard customers' personal information, prevent fraud and ensure cyber security, as well as offering information to customers about how they can protect themselves.

Who has responsibility: BMO's Chief Information Security Officer (reporting to the head of the Financial Crimes Unit) and our Chief Privacy Officer

OUR APPROACH

Information Security

BMO is committed to keeping its customer information secure while also providing highly efficient and reliable business services. We follow cyber security best practices, and we maintain an IT environment that complies with all applicable regulatory requirements. In order to proactively address the rapidly changing security threat landscape, BMO deploys resilient, agile technologies and makes significant investments in the continuous improvement of its information security posture.

Our information security management framework and governance processes align with industry best practices, including ISO 27001:2013, and the frameworks of the Control Objectives for Information and Related Technologies (COBIT), the National Institute of Standards and Technology (NIST) and the Information Technology Infrastructure Library (ITIL). BMO was the first Canadian bank to achieve ISO 27001 certification.

In building and maintaining a robust cyber security framework, we have developed and implemented a number of specific policies, standards, procedures and guidelines, which are reviewed and updated periodically to ensure that they remain relevant and address all current risks.

We continue to make additional investments in defensive technology, talent and processes in order to prevent, or detect and manage, cyber security threats within BMO and at our service providers. These measures include reviews of best practices across the banking and cyber security industries, external reviews of incidents related to cyber security, evaluation of the effectiveness of our key controls and development of new controls, as needed, with ongoing investments in both technology and human resources.

Senior management reviews BMO's information security management program at regular intervals in order to ensure that its provisions remain appropriate, effective and sufficient, and to make timely decisions in support of continuous improvement. Our intent is to implement, maintain and continuously improve upon multiple layers of control that protect enterprise information and processing assets.

Following industry best practice, we have a highly-qualified Cyber Threat Intelligence and Analytics team in place, proactively monitoring emerging threats that could impact BMO's employees, processes, technologies or customers by gathering and analyzing threat information from various commercial, industry, government, internal and open sources. The team also conducts threat hunting on a regular basis to identify potential malicious activity. We continually enhance our cyber security controls in response to regular threat intelligence forecasts.

BMO employees complete a mandatory annual information security training program, and we record completion details for compliance and audit purposes. Every year, all of our employees are required to acknowledge that they comply with BMO's Code of Conduct, which includes responsibility for information security and a confidentiality (non-disclosure) agreement.

BMO's information security management program and the related processes undergo an annual corporate audit and periodic external audits by regulators and third-party auditors.

4

substantiated privacy-related customer complaints regarding breaches of customer privacy or loss of customer data 99.7%

of employees completed BMO's Information Security and Privacy Matters training program in 2019

Privacy

The introduction of new technologies has led to new uses of personal information, but that introduction must not come at the expense of privacy. Maintaining integrity in everything we do at BMO earns the trust of our customers, and that includes protecting their privacy and safeguarding their personal information.

We comply with all legal and regulatory requirements related to privacy in the jurisdictions in which we operate. We also require that all of our employees participate in annual privacy training, so that they are aware of evolving compliance issues and standards.

In Canada, BMO's Privacy Code outlines our commitment to our customers and the 10 key privacy principles we embrace. The Code also outlines the channels through which our customers can make and escalate privacy complaints. In other jurisdictions, we comply with all local requirements for providing mechanisms through which privacy concerns can be raised.

The Privacy Office oversees our privacy risk governance program, which sets out policies and procedures for identifying, measuring, managing, mitigating and reporting privacy risk. All incidents involving suspected or actual breaches of privacy must be reported to the Privacy Office, which then manages BMO's response to these incidents.

The Privacy Office also monitors key privacy risk indicators, such as the total number of privacy-related incidents and the number of complaints escalated to the regulator, and reports on these indicators quarterly to our executive leadership and the Audit and Conduct Review Committee of our Board of Directors.

HIGHLIGHTS

In 2019, BMO established a Financial Crimes
Unit, with responsibility for managing all
aspects of cyber security, information
security, internal and external fraud, and
physical security. The unit brings together
existing capabilities from across the
enterprise within an integrated central
function, and uses an industry-leading fusion
centre model to enhance both intelligencegathering and response recovery. The
Financial Crimes Unit works closely with



Asia Shahulhameed, Enterprise AML, in conversation at BMO offices, 250 Yonge Street, Toronto, Ontario.

BMO's Anti-Money Laundering group, which was strengthened during the year with the appointment of a Chief Anti-Money Laundering Officer for BMO Financial Group.

 We launched a biometric authentication platform for commercial and corporate clients, which accelerates the authentication of transactions and payments while also enhancing security. The BioConnect platform screens biometric sensory information, such as an individual's fingerprint, voice, face or eye, to authenticate transactions, providing more reliable confirmation of identity during the authentication process and augmenting the familiar username and password method. Solutions based on biometrics are expected to eventually replace the use of usernames and passwords. In connection with this launch, we introduced the BMO Banking for Business mobile app, which also uses biometric authentication to process and approve transactions quickly and safely for our business customers on the go.

Related BMO policies, statements and reports

Canada

· BMO Privacy Code - Canada

United States

- · BMO Harris Privacy Notice
- · BMO Harris Online and Mobile Privacy Policy

Europe

- · Capital Markets Privacy Code EU
- Global Asset Management Privacy Policy – EMEA

Asia

- Global Asset Management Privacy Notice and Use of Web Tools Hong Kong
- Private Bank Personal Information Collection Statement – Hong Kong and Singapore
- Capital Markets Privacy Code Hong Kong and Singapore

BMO Privacy Code - Canada: www.bmo.com/main/about-bmo/privacy-security/our-privacy-code
BMO Harris - Privacy Notice: www.bmoharris.com/ygn/mobile/privacy2015.html
BMO Harris Online and Mobile Privacy Policy: www.bmoharris.com/online-mobile-privacy
Capital Markets Privacy Code - EU: www.bmocm.com/about-us/regulatory/pdfs/English/BMO_EUPrivacyCode.en.pdf
Global Asset Management Privacy Policy - EMEA: www.bmogam.com/privacy-policy
Global Asset Management Privacy Notice and Use of Web Tools - Hong Kong; www.bmo.hk/en/privacy
Fixtual Rank Personal Information Collection Statement - Hong Kong and Giorgapere, www.bmo.com/original.back

Private Bank Personal Information Collection Statement – Hong Kong and Singapore: www.bmo.com/privatebank/asia/popups/privacy/personal-information.pdf
Capital Markets Privacy Code – Hong Kong and Singapore: www.bmocm.com/about-us/regulatory/pdfs/English/bmoprivacycode_hongkong_singapore.pdf



EMPLOYEE ENGAGEMENT

Pursuing our Purpose requires us to think big and honour our ambitious commitments, which will contribute to economic development and help move our society forward. To accomplish this, we must build a corporate culture that encourages employees to be highly engaged and motivated to perform in the context of what they can do to Boldly Grow the Good in business and life.

Framing the topic

What we mean by employee engagement: Employee engagement: Employee engagement is the extent to which our employees' personal goals and interests align with our Purpose and organizational goals. Higher levels of engagement can encourage employees to make discretionary efforts and advocate for BMO's products and services – and also for BMO as an employer of choice.

Who has responsibility: BMO's Chief Human Resources Officer is responsible for monitoring and measuring the level of our employees' engagement. Everyone at BMO has accountability for making measurable progress toward three outcomes – leading employee engagement, leading customer loyalty, and leading business growth.

OUR APPROACH

Our talent strategies are focused on achieving high levels of employee engagement, which are essential for delivering great customer experiences, driving innovation and productivity, and advancing BMO's Purpose and performance.

Through surveys, workshops, and face-to-face and virtual focus groups, we invite our employees to provide feedback about how we're doing in meeting their needs and expectations. We also ask for their ideas about how we can improve the experience of both employees and customers in order to drive growth and performance. We encourage our employees to speak up, be candid and advocate for both themselves and our customers.

BMOPulse is our enterprise-wide engagement survey, in which we ask questions about the BMO employee experience and other strategic performance metrics. The survey results help us identify the most effective approach to fostering a culture of engagement and high performance, as well as areas in which we can make improvements. Scores are reported to the CEO, the Executive Committee and the Human Resources Committee of the Board of Directors. Managers receive customized reports for their teams, and they are equipped with tools for drawing up follow-up action plans and targets.

Survey results also enable us to track yearover-year changes in engagement levels and to compare our Employee Engagement Index scores to those of other leading companies.

Should they have individual workplace issues or concerns, employees are encouraged to speak to their managers. Other options for raising concerns, which are outlined in our Code of Conduct and reiterated in annual training, include our Employee Relations department and BMO's Ombudsman (see page 55).

HIGHLIGHTS

 Our Purpose provides a context for our strategy and business goals, informing our decisions and inspiring us to make faster progress that will accelerate our growth. As we pursue our Purpose by considering everything we do every day in its larger context, we have been gathering input from more than 18,000 of our employees through surveys, workshops, conferences, focus groups and interviews. We have also been speaking with more than 50 customers and community leaders, and we have consulted some of North America's best-known thought leaders for their perspectives on a unique need that only BMO can meet.

25%

Employee Engagement Index – our highest score to date



BMO was recognized as one of the 50 Most Engaged Workplaces in North America™ by Achievers • The BMO Innovation Fund is an employee-led initiative that focuses on generating big ideas and bringing them to life by drawing on a dedicated pool of funding and resources. We launched two enterprise challenges in 2019, which generated more than 2,000 ideas. Fifty champions were chosen to rank the ideas based on their relevance to our customers, feasibility, value proposition and strategic alignment. A number of these high-potential ideas are now being pursued in Canada, two of

which relate directly to our Purpose and our

commitments to increase our support for

small business and remove barriers to

inclusion.

 Putting the needs of our customers first is one of BMO's top priorities, so we were pleased to see that our commitment to delivering industry-leading customer experience earned a score of 95%, the highest overall in the 2019 BMOPulse survey. The next-highest score (94%) related to the belief that BMO's strength is built on being an ethical, inclusive company. Other scores that are important measures of employee engagement included: finding satisfaction in confronting issues head-on and solving them as a team (83%), managers actively listening to the ideas and opinions of their teams (90%), and employees feeling empowered to speak candidly without fear of negative consequences (81%).

BMOPulse Bright Spots

In our 2019 survey, more of our employees reported that:

- They see evidence that BMO is simplifying its core processes (71%, up 4% year-over-year)
- Their team has simplified the ways in which team members work in the past year (68%, up 3% year-over-year)
- They are motivated by our commitment to consider our clients/customers in all that we do (90%, up 2% year-over-year)
- Their team members review mistakes they have made and look to share and learn from them (86%, up 2% year-over-year)
- Their managers have worked to remove obstacles that impede their team's work processes (86%, up 2% year-over-year)
- They would recommend BMO as a place to work (83%, up 2% year-over-year)

BMOPulse Engagement Survey Results

	2019	2018	2017	2016	2015
Participation rate (%)▲	89	90	90	90	88
Employee engagement index (EEI) (%)▲	85	84	83	80	81

2019 BMOPulse Indicators

Inclusion

370/0 +1% vs. 2018

2018	2017	2016
86%	86%	85%

Inclusion: The extent to which employees feel valued, respected and heard

Opportunities to learn and grow

82%

+1% vs. 2018

2018	2017	2016
81%	81%	78%

Opportunities to learn and grow: The extent to which employees feel they can develop skills and capabilities

Employee voice

83%

2018	2017	2016
82%	82%	80%

Employee voice: The extent to which employees feel they can speak up and be candid

Career goals can be met

78%

+1% vs. 2018

2018	2017	2016
77%	77%	73%

Career goals can be met: The extent to which employees feel they can achieve a career that is meaningful to them at BMO

EXECUTIVE COMPENSATION

Competitive executive compensation helps us attract and retain the high-calibre talent we need to drive growth, achieve our objectives and honour our commitments. The design and oversight of our executive compensation program ensure that the interests of our executives remain closely aligned with our shareholders' priorities – and this alignment is set out clearly and transparently, so that our stakeholders are able to understand how the program works.

Framing the topic

What we mean by executive compensation: Pay-for-performance compensation programs and incentive plans for executives that are fairly and transparently linked to the achievement of specific bank, business unit and individual performance goals, which for all executives include environmental, social and/or governance considerations.

Who has responsibility: The Human Resources Committee of the Board of Directors oversees BMO's executive compensation policies and programs, as well as incentive compensation plans for employees with a spending envelope of \$50 million or more.

OUR APPROACH

BMO's compensation policies, plans and programs are fully aligned with all of the relevant standards and guidelines issued by regulators, as well as those considered to be industry best practices, including:

- Principles for Sound Compensation Practices issued by the Financial Stability Board (FSB Principles)
- Practices, standards and guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI)
- Guidance on Sound Incentive Compensation Policies issued by the U.S. Federal Reserve in cooperation with other banking oversight agencies
- Guidelines for compensation practices that apply to financial institutions in the jurisdictions in which we operate around the world, including China, Hong Kong, Ireland and the United Kingdom

The Human Resources Committee of the Board establishes and oversees BMO's human resources strategies, including compensation programs and talent management practices. The committee has structured our executive compensation program and policies to support BMO's vision and strategic priorities, and to give executives a significant personal stake in the long-term growth and sustainability of the organization.

Executives earn more when results are above our performance goals and less when they are below. This is accomplished by aligning total executive compensation with performance as measured against enterprise, operating group and individual performance objectives that support the achievement of our vision and strategic priorities.

Linking Sustainability and Executive Compensation

BMO's executive compensation program and incentive plans include quantitative and qualitative objectives that are linked in part to sustainability. For example, progress toward our goal of achieving industry-leading customer loyalty is measured using the Net Promoter Score® (NPS), which is both a key quantitative metric for incentive plan funding and a metric on our Sustainability Scorecard that reflects the implementation of our Code of Conduct. Qualitatively, individual performance objectives are set in order to assess the extent to which each executive's conduct and contributions are aligned with our responsibilities to our customers, employees, communities and the environment we share. Control function leaders (e.g., Chief Risk Officer, Chief Financial Officer, General Counsel, Chief Compliance Officer) also consider and, where appropriate, recommend adjustments to the shared incentive pools or individual awards to better reflect performance in relation to risk, compliance, conduct or other factors, including sustainability considerations like environmental and social risk management.



BMO's compensation program also includes a consideration of ESG issues that are factored into company-wide financial goals, along with other considerations involving sustainability metrics such as employee engagement scores and reviews of material risk events.

In our 2018 shareholder engagement efforts, we acknowledged that we needed to provide a more extensive disclosure of our approach to factoring environmental, social and governance issues into BMO's annual compensation decision-making processes. We did this in our 2019 Management Proxy Circular (see pages 35, 71 and 79), and we are committed to making further enhancements to our disclosures, as appropriate.

See our 2019 Management Proxy Circular for a full discussion and analysis of BMO's executive compensation program and related policies and practices.

Oversight of BMO's Compensation Programs, Policies and Practices

Board

Approves the bank's strategic plans, including key initiatives, opportunities, risk, competitive position, financial projections and other key performance indicators for each operating group. Gives the final approval on compensation decisions for the CEO.



Human Resources Committee Establishes and oversees the bank's compensation plans of behalf of the Board, making sure they align pay with performance, operate within the bank's risk appetite, help the bank achieve its goals and are in the best interest of shareholders.



Management and Oversight Committees

Control function leaders are actively involved in reviewing compensation design and the annual compensation decision-making process, including assessing risk and other control function inputs. There are committees at the enterprise level and in the United States.

Independent compensation advisor

Provides an annual independent view of global trends, best practices, BMO's executive compensation program and compensation decisions.

Independent third party

Conducts a review of BMO's material compensation plans to ensure the compensation policies and decision-making processes are sound.

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HUMAN RIGHTS

BMO has made a commitment – to our customers, employees, communities and shareholders, and all of our other stakeholders – to respect fundamental human rights in every jurisdiction in which we do business. Our conduct is guided by the principles set out in the United Nations Universal Declaration of Human Rights, along with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and our own Code of Conduct.

Framing the topic

What we mean by human rights: Human rights are rights inherently enjoyed by all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to education and employment, and many more. Everyone is entitled to these rights, without discrimination.

Who has responsibility: The responsibility for human rights is shared across the enterprise. Program development that embeds the UNGPs into our policies and operational practices is led by the Chief Sustainability Officer and through relevant operating groups and corporate support areas.

OUR APPROACH

Our respect for human rights is evident in our core values. We act on our commitment to respect human rights by building and maintaining a diverse and inclusive work environment, and by working to mitigate any adverse impacts on human rights that are caused by, or linked to, our business operations.

We continue to develop our human rights program and incorporate best practices that are emerging as the UNGPs are adopted by companies around the world. These principles set out the duties of companies to respect human rights, and to conduct due diligence in order to identify and mitigate any potential or actual adverse impacts that their business practices and operations may have on human rights.

Our efforts build on our existing standards that govern our relationships with our employees, business partners and other stakeholders, as set out in documents such as BMO's Code of Conduct and Supplier Code of Conduct.

We strive to integrate the UNGPs' approach to human rights into the enterprise-wide governance of our business practices and operations, allowing us to identify and mitigate any potential or actual adverse impacts on human rights as we work to achieve positive outcomes in our business operations and our relationships with our stakeholders. To this end, in 2019, we added human rights to our enterprise risk taxonomy as a subset of environmental and social risk and began development of a sustainable procurement program that includes human rights. This builds on the extensive human rights considerations built into our existing human resources and anti-money laundering programs. BMO also took leadership positions in global industry working groups to develop innovative approaches to the application of the UNGP in the banking sector. This work will continue into 2020, to further embed the spirit and approach of the UNGP into the way that we consider and address human rights impacts in our business and in our industry more broadly.

Employees

BMO is committed to fostering a diverse and inclusive culture in which employees feel valued, respected and heard, and are able to bring their best self to work and have access to equitable opportunities to develop and advance. See the Diversity and Inclusion (page 42) and Business Conduct (page 54) sections of this report to learn more.

We have expressed a formal commitment to freedom of association and the right to collective bargaining in BMO's Statement on Freedom of Association and Collective Bargaining.

Employees can raise concerns anonymously by contacting the Office of the Ombudsman through the Speak Up! Service, or by contacting the Ethics & Conduct Office. See the Business Conduct section of this report (page 54) to learn more.

Customers

Through BMO's "know your customer" programs, we regularly conduct due diligence in regard to our customer relationships. For example, our Anti-Money Laundering (AML) Program seeks to identify and verify customer information, monitor customer transactions for unusual activity, and report any suspicious activity to the relevant authorities. AML Program details can be found in BMO's Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures.

As a signatory to the Equator Principles, BMO has committed to assessing and managing the environmental and social risks associated with all lending transactions that are within the scope of those principles. Meeting this commitment involves considering human rights matters, such as the health and safety of communities, workers' rights and the rights of Indigenous peoples. See the Responsible Lending section of this report (page 26) to learn more.

BMO's Office of the Ombudsman conducts a confidential and impartial review of Canadian customer complaints – grounded in fairness, integrity and respect – that considers the interests of all parties, as well as applicable laws, policies and standard industry practices. Customers can also take their concerns to one of BMO's external dispute resolution providers – the Ombudsman for Banking Services and Investments or the OmbudsService for Life & Health Insurance – for a further impartial, informal and confidential review.

External stakeholders may also engage with BMO through the Office of the Chief Sustainability Officer. BMO regularly engages with non-governmental organizations and community groups on various sustainability topics including potentially human rights matters. This office can be contacted at sustainability@bmo.com.

Supply Chain

BMO's Supplier Code of Conduct sets out the standards we expect our suppliers to meet in regard to respecting human rights, upholding ethical business practices and complying with the law. We encourage our suppliers to adopt policies and codes of conduct similar to our own, and to convey their expectations to their own suppliers along the supply chain.

We stand against all forms of modern slavery and human trafficking. BMO reports on our actions to prevent modern slavery and human trafficking in our annual Sustainability Report, and produce an annual Modern Slavery and Human Rights Statement in accordance with the UK *Modern Slavery Act* (2015).

In 2019, BMO joined a coalition of 12 leading banks and six survivor organizations to launch Finance Against Slavery and Trafficking (FAST) at the United Nations General Assembly. FAST aims to provide financial institutions, service providers, regulators, government agencies and other stakeholders around the world with a framework to match identified survivors to basic financial services, easing their return to society.

Responsible Investing

Human rights are central to the approach that BMO Global Asset Management takes in its responsible investment, corporate engagement, proxy voting and reporting activities. The specialist Responsible Investment team carries out an extensive program of investor engagement intended to encourage the companies in which we invest to adopt ESG best practices. In 2019, the team identified gender equality and protecting vulnerable workers as two of its top engagement priorities.

The Responsible Investment team also monitors companies alleged to have breached the principles of the UN Global Compact, and engages with those companies if there is an issue of significant concern. See the Responsible Investing section of this report (page 22) to learn more.

Related BMO policies, statements and reports

- · BMO's Code of Conduct
- · Supplier Code of Conduct
- Modern Slavery and Human Trafficking Statement
- Statement on Anti–Money Laundering, Anti– Terrorist Financing and Sanctions Measures
- Statement on Freedom of Association and Collective Bargaining
- Statement on Human Rights

BMO's Code of Conduct: www.bmo.com/home/about/banking/corporate-information/codeofconduct

Supplier Code of Conduct: www.bmo.com/home/about/banking/corporate-information/supplier-information/supplier-code-of-conduct

Modern Slavery and Human Trafficking Statement: corporate-responsibilitybmo.com/our-approach/statement-on-current-issues

Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures: corporate-responsibilitybmo.com/our-approach/statement-on-current-issues

Statement on Freedom of Association and Collective Bargaining: corporate-responsibilitybmo.com/our-approach/statement-on-current-issues

Statement on Human Rights: croporate-responsibilitybmo.com/our-approach/statement-on-current-issues

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Special Supplement

2019 Climate Report

At BMO, we recognize that climate change is one of the major challenges of our time. In December 2015, nearly 200 governments committed to strengthen the global response to climate change by signing the Paris Agreement to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. To advance this objective, the Financial Stability Board convened a Taskforce on Climate-related Financial Disclosures (TCFD), which released a set of recommendations for financial market participants to understand and disclose climate-related risks and opportunities.

In January 2018, BMO was among the first banks to publicly announce its support for the TCFD framework. In 2018, we aligned our disclosures about risks and opportunities related to climate change with the recommendations of the TCFD, which were recognized as market-leading in the TCFD's 2018 Status Report. Since then, we have advanced innovative approaches to managing climate-related financial risk. In 2019, we have taken concrete action to implement the recommendations of the TCFD across our business.

This report is BMO's first stand-alone Climate Report. It is intended to provide investors and other stakeholders with pertinent information on the climate-related risks and opportunities we face, and our approach to measuring and managing climate-related impacts.





BMO's Approach to Climate Risk and Opportunity

Fiscal 2018 and earlier	Fiscal 2019	Fiscal 2020 and beyond
GOVERNANCE	1	
Established Sustainability Council (2008) Established executive responsibility for sustainability (2010) Amended ACRC charter to include sustainability oversight (2018)	Rolled out climate risk and disclosure training to BMO's subsidiary Boards of Directors and London Risk Management Committee Established Sustainable Finance team Assigned SMF accountability for climate change to	Continue to inform Board about risks and opportunities related to climate change Continue to build capacity and strengthen climate change risk management governance mechanisms
Appointed Chief Sustainability Officer (2018) Released Statement on Climate Change (2018) Provided climate change risk and disclosure training to BMO's Board of Directors (2018) Established internal TCFD implementation working group (2018)	Chief Risk Officer, Europe Established working group for scenario analysis	
STRATEGY		
BMO GAM predecessor signed UNPRI (2006) ¹ Integrated Sustainability Principles into BMO's enterprise-wide strategy (2016) Incorporated environmental and social risk into Reputation Risk Corporate Standard (2018) Integrated considerations of ESG factors, including climate change, across investment strategies	Launched climate-related scenario analysis program Launched Sustainable Finance strategy Incorporated climate change risk into the enterprise risk taxonomy Identified climate-sensitive lending sectors Initiated research on approach to scenario analysis in investment portfolios at BMO GAM Integrated carbon footprint reporting into ESG portfolio analytics at BMO GAM	Expand scenario analysis program and leverage results to inform strategic responses
	Joined Phase 2 of UNEP-FI TCFD Pilot Project for Banks	
RISK MANAGEMENT Initiated comprehensive ESG engagement program with BMO GAM investee companies (2000) Signed Equator Principles (2005) Released Environmental Policy (2008)	Reviewed environmental and social (E&S) risk policy framework Disclosed BMO GAM's Climate change engagement: a framework for the future ²	Further develop E8S risk framework Enhance guidance on climate-related risk in credit risk policy framework
METRICS AND TARGETS		
Achieved carbon neutrality (2010) Achieved three successive multi-year enterprise emission reduction targets (since 2008)	Made progress toward emission reduction target Established a sustainable finance target Formalized tracking of ESG-related inquiries Quantified carbon-related assets in our lending portfolio Integrated carbon footprint reporting into ESG portfolio analytics at BMO GAM	Maintain carbon neutrality Achieve emission reduction targets Develop business-relevant metrics and indicators to assess impact and exposures Develop metrics and targets tied to sustainable finance goals

1 F&C Asset Management was a founding signatory to the UN PRI in 2006. In 2014, F&C was acquired by BMO through its wholly owned subsidiary, BMO Global Asset Management (Europe) Limited.

² www.bmogam.com/se-en/intermediary/wp-content/uploads/2019/10/climate-change_esg-viewpoint.pdf

Governance

BOARD OVERSIGHT

BMO's directors are recruited and evaluated based on a skills matrix that includes sustainability experience, and eight of our 14 current independent directors have such experience¹. In 2018, BMO developed and delivered online climate change risk and disclosure training for its Board of Directors, and made it available to all current and new Board members. In 2019, this training was updated and rolled out to the Boards of Directors of all of BMO's subsidiaries, and was also provided to the London Risk Management Committee, in line with the Supervisory Statement on Enhancing Banks' and Insurers' Approaches to Managing the Financial Risks from Climate Change issued by the UK Prudential Regulation Authority (UK PRA), as well as the TCFD framework.

Board-level oversight of sustainability, including climate-related risks and opportunities, is embedded in the charter of the Audit and Conduct Review Committee (ACRC) of BMO's Board of Directors. The ACRC meets annually with BMO's Chief Sustainability Officer and General Counsel to review and discuss matters related to sustainability, including climate change and climate-related disclosures.

1 Information on the skills and experience of our directors can be found in our 2019 Management Proxy Circular.

The ACRC reviews and guides strategy, action plans, and performance objectives and targets related to BMO's operational footprint and sustainable finance commitment in order to ensure that management is adequately addressing opportunities associated with the transition to a lower-carbon economy.

The Risk Review Committee of the Board of Directors (RRC) assists the Board in fulfilling its risk management oversight responsibilities. This involves overseeing the identification and management of BMO's risks, including our risk culture, adherence by operating groups to risk management corporate policies and procedures, and compliance with risk-related regulatory requirements. Our risk management framework is reviewed on a regular basis by the RRC in order to provide guidance for the governance of our risk-taking activities.

MANAGEMENT'S ROLE

The Chief Executive Officer (CEO) has delegated responsibility for sustainability to BMO's General Counsel, who is a member of the Executive Committee and reports directly to the CEO. BMO's General Counsel also has accountability for areas such as legal and regulatory risk, reputation risk and business conduct. This organizational structure aligns responsibility for sustainability with accountability for these related areas.

BMO's General Counsel chairs the BMO Sustainability Council, which was established in 2008 and comprises 19 senior leaders from business and Corporate Support areas across the organization as at fiscal year-end 2019. The Sustainability Council supports and advises on the implementation of BMO's sustainability strategy, and meets quarterly to discuss sustainability topics, including the risks, opportunities and disclosures related to climate change.

BMO's Chief Sustainability Officer (CSO) reports to the Corporate Secretary and to the General Counsel. The CSO is responsible for the development and execution of BMO's sustainability strategy, including internal advisory and support efforts, stakeholder engagement and disclosure. This mandate includes monitoring climate-related issues, developing strategies to manage risks and opportunities associated with climate change across the organization, and producing and publishing climate-related disclosures.

BMO's Chief Risk Officer (CRO) reports directly to the CEO and is head of Enterprise Risk and Portfolio Management and chair of the Risk Management Committee (RMC). The CRO is responsible for providing independent review and oversight of enterprise-wide risks and leadership on risk issues, developing and maintaining a risk management framework and fostering a strong risk culture across the organization. ERPM provides risk management oversight, supporting a disciplined approach to risk-taking for independent transaction approval and portfolio management, policy formulation, risk reporting, stress testing, modelling and risk education. ERPM is responsible for conducting climate change scenario analysis to identify potential risks in BMO's lending portfolio.

In 2019, BMO's Sustainability Office collaborated with ERPM to develop and implement a program for managing climaterelated risk across our lines of business. The two teams worked together to incorporate climate change risk into the enterprise-wide risk taxonomy and to quantify carbon-related assets in our lending portfolio. A working group comprised of individuals from Sustainability, ERPM (including credit and operational risk) and BMO Global Asset Management (GAM) was established to identify global best practices for managing

climate-related financial risks and to coordinate BMO's climate-related risk management program.

In 2019, BMO also responded to the UK PRA Supervisory Statement on Enhancing Banks' and Insurers' Approaches to Managing the Financial Risks from Climate Change by assigning Senior Management Function (SMF) accountability for climate change to the CRO, Europe. At the same time, we developed an initial implementation plan outlining how BMO intends to meet the requirements of the UK PRA Supervisory Statement.

To better capture opportunities associated with sustainable finance, we established a Sustainable Finance team in 2019 that is supported by BMO's Sustainability Office. The group brings together existing capabilities in BMO Capital Markets and BMO Global Asset Management. It is responsible for mobilizing the enterprise to pursue opportunities that involve sustainability with customers across all lines of business. It includes Sustainable Finance specialists responsible for building customer engagement and identifying market opportunities for products and services as the sustainable finance market grows. We also created a Sustainable Finance Steering Committee composed of BMO Executives, which is responsible for reviewing, validating and monitoring BMO's sustainable finance strategy.

The Global Investment Committee (GIC) oversees all responsible investment policies and activities at BMO GAM, including those related to climate change. GIC members include the Global Chief Investment Officer (CIO), the CIO North America and other senior representatives from BMO GAM's regulated entities. This committee has responsibility for the final approval of all responsible investment policies.

2019 Management Proxy Circular: www.bmo.com/home/about/banking/investor-relations/annual-reports-proxy-circulars

Climate-Related Opportunities and Strategy

At BMO, we recognize that the transition to a lower-carbon economy will be a complex endeavour that will happen over time. As energy needs continue to increase, and the energy mix continues to evolve, there will remain a need for affordable energy and to support local communities to promote a smooth and just transition that addresses climate goals while taking social impacts into account. Our clients will play a critical role in the transition to a lower carbon economy and we believe this transition will give rise to opportunities, from gains in efficiency to evolving customer demands. BMO is committed to making a positive impact by working with our clients on this journey through product innovation. Our operating groups are actively pursuing operational efficiency gains. Our commitment to maintaining carbon neutrality and mobilizing \$400 billion for sustainable finance by 2025 is a focused response to this transition.

RESOURCE EFFICIENCY

Changes in consumer preferences and emerging regulations related to energy efficiency and reporting are likely to improve energy efficiency. This presents BMO with an opportunity to reduce its operating costs and achieve its emission reduction targets. BMO has taken the steps necessary to qualify for third-party certification under the ISO 14001 environmental management system standard at select facilities; the principles underlying this standard are being applied across our corporate real estate portfolio. BMO has also taken steps to implement elements of the LEED and BOMA certification standards, which is improving energy efficiency in our buildings.

PRODUCTS, SERVICES AND MARKETS

We recognize an opportunity to differentiate ourselves by developing new and innovative products and business services related to climate change, and by accessing new and emerging markets with financial solutions that can assist customers during their transition to a lower-carbon economy. Significant infrastructure investments will be required for this transition, including alternative power solutions, improvements to public transit infrastructure and retrofitting of existing infrastructure to make it more climate-resilient.

Our Sustainable Finance team is engaging with our customers and identifying market opportunities for sustainable finance products and services across BMO, so that we can meet our sustainable finance commitment. These opportunities are being addressed in the innovative approaches to responsible investing taken by BMO Global Asset Management (GAM), where we are leveraging our position as trusted advisors to help align customer investments with sustainable objectives, and in Capital Markets, where we have created a dedicated advisory capability that can support our clients in their work on sustainability. These efforts are supported by the Sustainability Office, which is organizing and guiding the growth of our sustainable finance business by identifying opportunities for green lending activity and improving internal processes for tracking and monitoring such investments.

BMO GAM is a signatory to the UN Principles for Responsible Investment. The identification of financially material environmental, social and governance (ESG) issues forms an integral part of its investment processes. It applies a tailored approach to ESG integration by investment strategy and asset class, to ensure that the additional analysis is relevant and meaningful to each investment process. BMO GAM also offers specific ESG Specialist Strategies Funds,

for which ESG considerations are a formal part of the investment mandate. Assets under management in these funds are US\$5.4 billion as at September 30, 2019. Many of the funds offer investors the opportunity to direct capital toward climate change solutions or lower-carbon assets. These offerings include the Climate Opportunity Partners private equity fund, which is entirely invested in solutions providers; green bond investment mandates; and a group of Responsible Funds.

BMO GAM also has in place a comprehensive global program of investor engagement, within which climate change is a key topic. This is discussed further below in the section on Risk Management. BMO GAM also offers this engagement expertise to third-party clients through the Responsible Engagement Overlay (*reo*®) service, which has assets under advice of US\$161 billion as at September 30, 2019.

Climate-Related Risks and Strategy

We recognize that climate change poses potential risks to our organization and our customers. Climate-related risks can be categorized as physical risks associated with the effects of a changing climate, and transition risks associated with the shift to a lower-carbon economy.

BMO's processes for identifying, assessing and managing climate-related risks are integrated into our enterprise-wide risk management framework. This framework, overseen by the CRO, assists BMO in managing its risk-taking activities and is anchored in the three-lines-of-defence approach to managing risk, as described in the Enterprise-Wide Risk Management section of our 2019 Annual Report to Shareholders. Our current approach to evaluating enterprise risk exposures implicitly includes certain types of transition risk and physical risk.

In 2019, BMO incorporated climate change into our enterprise-wide risk taxonomy as part of environmental and social risk. BMO is conducting further analysis to determine the magnitude and time horizon of these risks and their potential financial impact on BMO, including through the piloting of approaches to scenario analysis, discussed at page 76. BMO has also developed a qualitative risk appetite statement on environmental and social risk, including climate change.

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

To keep informed of emerging issues, BMO conducts independent research, participates in global forums with our peers, maintains an open dialogue with our internal and external stakeholders and monitors regulatory developments, emerging best practices and initiatives from non-regulatory international bodies. This helps us determine the scope and extent of existing and emerging climate-related risks. The inclusion of climate change in our enterprise risk taxonomy provides a basis for discussing and identifying the impacts of climate change on our operations and business activities.

To identify and assess climate-related risks arising from our customer relationships, we follow internal guidelines that outline the scope of environmental and social risk, and we establish procedures, including enhanced due diligence, to determine the extent of our exposure to any such risk. These include identifying and assessing our customers' climate change strategies and carbon mitigation plans, as well as the quality of their climate change disclosures and their readiness to respond to climate-related regulatory changes or reputation risk. We are also enhancing our environmental and social risk policy framework in order to improve our governance and management of climaterelated risks and opportunities.



BMO has been a signatory to the Equator Principles since 2005 and applies its credit risk management framework to identify, assess and manage the environmental and social risk of transactions within its scope. We also apply environmental and social screening and assessment process to categorize and assess projects based on the magnitude of their potential impacts and risks, including climate change.

BMO's evolving climate change scenario analysis program will inform our process for climate-related risk identification and assessment going forward.

MANAGING CLIMATE-RELATED RISKS

We recognize that both physical and transition risks could heighten other key risk exposures that BMO faces. The Sustainability Office works with the lines of business and Corporate Support areas to develop, coordinate and maintain an enterprise-wide strategy that addresses our environmental and social responsibilities. To manage any related business risks, we work with these business partners, as well as external stakeholders, to better understand the impacts of our operations and financing decisions.

Credit and Counterparty Risk

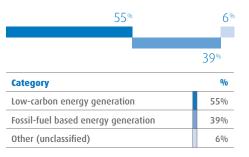
Climate-related risks could affect our exposure to credit and counterparty risk by impacting our customers' revenues or costs such that they may become unable to meet their financial commitments to BMO. Borrowers may face losses or increases in their operating costs as a result of acute or chronic changes in climate conditions and/or climate-related policies, such as carbon emissions pricing. Revenues may be affected by new and emerging technologies, which could disrupt the existing economic system

and displace demand for certain commodities, products and services.

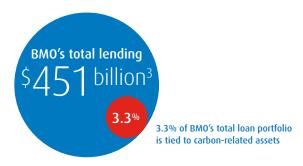
We have implemented financing guidelines to address environmental risks for specific lines of business, and we apply enhanced due diligence to transactions with customers operating in environmentally sensitive industries. This includes efforts to develop an understanding of borrowers' climate change adaptation and mitigation strategies.

To avoid overexposure to any one sector or geographic region that might be impacted by climate-related risks, BMO maintains a diverse lending portfolio. We have conducted a sector-specific analysis across our lending portfolio to assess our exposure to climatesensitive industries. The results of this analysis are disclosed below. We have determined that our lending in support of carbon-related assets in 2019 was approximately \$14.7 billion and represented 3.3% of our total lending portfolio1. We have also analyzed our power generation portfolio and determined that approximately 55% of lending is to low-carbon energy generation². The results of this analysis are disclosed below.

BMO's Lending to Power Generation², as at October 31, 2019



Lending to Carbon-Related Assets



3 Total loans and acceptances, net of allowance for credit losses on impaired loans.

Sensitivity to Climate Risk of BMO Lending Exposures, as at October 31, 2019

Sector	(% of net loans and acceptances)
Communications	0.2
Forest products	0.3
Government	0.4
Other	0.4
Mining	0.5
Financing products	0.9
Utilities	1.1
Construction (non-real estate)	1.1
Credit cards	2.0
Transportation	2.7
Agriculture	2.9
Oil and Gas	3.0
Wholesale trade	3.8
Retail trade	5.1
Manufacturing	5.9
Commercial real estate	8.1
Financial	9.1
Service industries	10.1
Consumer instalment and other personal loans	15.0
Residential mortgages	27.4
Primarily physical risks Primarily transition risks	■ Both physical and

¹ Carbon-related assets are measured as the value of net loans and acceptances connected to the energy and utilities sectors, excluding water utilities, independent power producers, electricity transmission and distribution companies, renewable electricity producers, and nuclear electricity producers. The amount is reported as at October 31, 2019, and is expressed as a percentage of total net loans and acceptances.

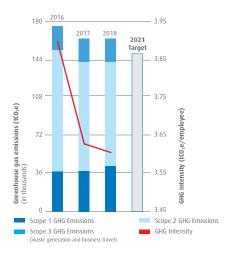
² Power generation is a subset of utilities, excluding water utilities, independent power producers, and electricity transmission and distribution companies. The share of low-carbon energy generation is calculated on a client-by-client basis using the most recently publicly available information on energy source.

Operational Risk

Our exposure to many types of operational risk could be heightened by climate-related physical and transition risks. For example, changes in climate patterns and climaterelated policies may result in increases in the operating and capital costs associated with the energy and equipment used to heat, cool and power our facilities. BMO's Sustainability Office also works with Risk and the Corporate Real Estate group to manage operational risks arising from climate change. This includes establishing and maintaining an operational environmental management system that is aligned with the framework set out in ISO 14001, as well as setting objectives and targets that align BMO's operations with its Environmental Policy, which includes greenhouse gas (GHG) emission reduction targets. We also monitor the regulatory landscape for new fuel or energy taxes and carbon pricing regulations on an ongoing basis through our internal risk management group, feedback from our third-party facilities management service providers and participation in industry associations.

We have set a goal of maintaining BMO's carbon-neutral status, which was first achieved in 2010. Our carbon neutral strategy involves a three-pronged approach that includes promoting energy efficiency and limiting emissions, purchasing electricity from renewable sources and purchasing highquality offsets1. We track and analyze our Scope 1 and 2 GHG emissions, as well as our Scope 3 GHG emissions associated with waste generation and business travel. BMO has set and achieved three successive multi-year enterprise emission reduction targets since 2008. Our current target is to achieve a 15% reduction in absolute GHG emissions by the end of fiscal 2021, relative to our fiscal 2016 baseline. We plan to accomplish this by investing in energy-saving initiatives, such as lighting retrofits, heating and cooling infrastructure upgrades and building envelope improvements. At the end of fiscal 2018, we had achieved a reduction of 6.06% relative to our fiscal 2016 baseline, demonstrating good progress toward achieving our target. We are investigating setting science-based emission reduction targets for the future.

BMO's Greenhouse Gas Emissions Performance



1 Information on BMO's carbon-neutral strategy is available on our website

Changing climate patterns and climate-related policies may also affect the operating and capital costs of our suppliers. Suppliers may choose to pass these costs on to their customers, which could result in higher purchasing costs for BMO. BMO is developing a Sustainable Procurement program that will consider current and future suppliers' sustainability performance and risk management, including risks related to climate change.

Legal and Regulatory Risk

Legal and regulatory risk could arise from BMO's actions, or alleged lack of action, in relation to climate change, our climate change disclosures, or our customers' activities. BMO monitors legal risks associated with climate change as part of our overall risk assessment of operational, business and reputation risks.

Reputation Risk

Reputation risk could arise from BMO's perceived actions, or perceived lack of action, in relation to climate change, our climate change disclosures, or our customers' activities. BMO monitors reputation risks associated with climate change as part of our overall risk assessment of operational and business risks. Climate-related reputation risks are addressed within the scope of our reputation risk management framework, in which the CSO plays an advisory role. The framework is overseen by BMO's Reputation Risk Management Committee.

Market Risk

Market risk could be affected by the impact of transition and physical risks on market conditions, including equity and commodity prices, which could increase the risk of losses in our trading and underwriting portfolios. Any adverse impacts would be captured and mitigated by the existing limit monitoring processes and risk management framework.

BMO GAM considers climate change to be an investment risk within its approach to ESG integration. This is discussed further below in the section on Risks to BMO's Investment Activity.

Insurance Risk

Insurance risk could arise as a result of the physical effects of climate change that could affect BMO's insurance business. BMO has short-term insurance risk exposures, and we regularly monitor market conditions and climate change hazards to mitigate this risk. Reinsurance transactions that transfer insurance risk from BMO Insurance to independent reinsurance companies are also used to mitigate our exposure to insurance risk by diversifying risk and limiting claims. Our reinsurance business, in turn, assumes property catastrophe and other reinsurance risks from independent reinsurers in various jurisdictions worldwide in order to diversify our geographic reinsurance exposures in accordance with our BMO Insurance risk management framework. BMO Insurance will be exiting the P&C Reinsurance market with the last treaty expiring in March 2021. However, catastrophic risk will remain until all outstanding claims are settled and paid.

Strategic Risk

Social and political reactions to climaterelated issues could affect our exposure to strategic risk by limiting or expanding external business opportunities. In response, we are developing sustainable finance products and services, including responsible banking and responsible lending programs.



Risks to BMO's Investment Activity

Within our asset management business, BMO GAM integrates considerations of climaterelated risk into investment processes by specific asset class. Examples include:

Asset Class	Risk Management Activities
Equities and Fixed Income	BMO's ESG portfolio analytics tools help fund managers flag companies as highly exposed to climate risk based on their emissions performance relative to their sector average. Fund managers work with the Responsible Investing team to understand the drivers of emissions performance and the strategies that companies are taking to mitigate this risk.
	We are also assessing physical risks for investee companies in certain sectors. For example, BMO GAM has engaged companies in the food and beverage industry on water risk management.
Green Bonds	BMO GAM oversees green bond mandates for individual institutional clients, and also invests in green bonds under our Responsible Sterling and Euro Bond strategies. We have a comprehensive in-house assessment process to screen bonds and ensure they meet our standards.
Sovereign Debt	BMO GAM's country-level ESG tool includes data on environmental risks, including indicators drawn from Yale University's Environmental Performance Index.
Property	BMO Real Estate Partners has a Responsible Property Investment strategy that considers environmental issues in relation to both existing assets and assets at the due diligence stage, and includes an assessment of how energy efficiency is factored into property management and refurbishment.

BMO GAM has a comprehensive global program of investor engagement that dates back nearly twenty years. Climate change is one of the core priorities of this engagement, and the Responsible Investment team has five members working on climate change engagement, as well as a water management expert. In 2019, we engaged with 126 companies on the topic of climate change.

Our ESG Viewpoint, "Climate change engagement: a framework for the future," sets out our expectations of investee companies, which are closely aligned with those of the TCFD.

At BMO GAM, we engage both one-on-one and through the Climate Action 100+ initiative, through which we lead on engagement with six companies and collaborate on engagement with several more. Our engagement also involves sectors beyond the mandate of Climate Action 100+, and in 2019 included a focus on banks in the Association of Southeast Asian Nations (ASEAN) region that are exposed to risk through their lending.

SCENARIO ANALYSIS

BMO is establishing a climate change scenario analysis program, in line with the TCFD recommendations. In 2019, we applied leading scenario analysis methodologies in a pilot project to test the resilience of a selection of upstream oil and gas counterparties to the impacts of climate transition scenarios. BMO's lending to the oil and gas sector is approximately \$13.4 billion, or 3.0% of our total lending portfolio.

We considered both a short-term disorderly scenario and a long-term orderly climate transition scenario. In the disorderly scenario, a carbon tax is implemented over a short timeframe. The orderly scenario was developed using the REMIND 2°C model, in which a carbon tax is implemented gradually.

The short-term scenario reflects a disorderly transition to a lower-carbon economy and assessed the impact of a carbon tax of \$25, \$50 and \$100 per tonne, implemented over three years. The long-term scenario looks ahead to 2040 and reflects a more orderly transition, in which a carbon tax is implemented gradually. Results of the analysis have been reported to the Sustainability Council.

BMO's Scenario Analysis Pilot			
Transition risks included	Policy, technology, market		
Climate scenarios assessed	Disorderly transition – carbon tax implemented over a short term		
	Orderly transition – REMIND 2°C model		
Business segment	Capital Markets		
Lending portfolio	Selection of upstream oil & gas borrowers		
Time horizon	Short-term: 2021		
	Long-term: 2040		
Climate risk metrics	Scenario-adjusted risk rating and probability of default		

We are building an internal capacity at BMO to conduct climate change scenario analysis enterprise-wide. As we refine our methodology, we plan to expand the approach to other types of climate-related risk and other sectors of our lending portfolio, starting with the sectors that are particularly sensitive to climate-related risks. These efforts will help us identify potential material financial risks, and will inform our business strategy in relation to climate change going forward.

Climate change engagement: a framework for the future: www.bmogam.com/se-en/intermediary/wp-content/uploads/2019/10/climate-change_esg-viewpoint.pdf



Convening and Catalyzing

BMO is committed to playing a role as a convener and catalyst in mobilizing action that can effectively address the challenges posed by climate change. We are actively participating in the following initiatives, working groups and multi-stakeholder partnerships. These collaborations support the development of climate change knowledge and expertise, including a better understanding of the risks and opportunities related to climate change and the transition to a lower-carbon economy.

To advance this work, BMO is participating in Phase 2 of the United Nations Environment Programme – Finance Initiative (UNEP-FI) climate-related scenario analysis pilot, and has joined industry working groups to advance methodologies and innovative approaches to identifying and managing climate-related risks.

BMO GAM has also been looking at scenario analysis from the point of view of an asset manager. In 2018, we co-led a collaboration by the Institutional Investors Group on Climate Change, which considered the implementation of scenario analysis by asset owners and managers. In 2019, BMO GAM began to work on developing an understanding of how scenario analysis could be applied within its investment management processes, involving members of our Responsible Investment team, Investment Risk Oversight team, Fiduciary and Solutions teams and Fundamental Equity and Credit teams. This work is ongoing, and we will report on our progress.

Initiative	Key Area of Focus	
Equator Principles	BMO has been a signatory to the Equator Principles since 2005 and represents North America on the Equator Principles Steering Committee.	
Institutional Investors Group on Climate Change	BMO GAM is a member of this collaborative platform, which encourages the adoption of public policies, investment practices and corporate behaviour that address the long-term risks and opportunities associated with climate change.	
Climate Action 100+	BMO GAM was one of the founding members of this US\$34 trillion global investor engagement collaboration, which is working to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change.	
Transition Pathway Initiative	BMO GAM supports the Transition Pathway Initiative, which assesses the state of companies' preparedness for the transition to a lower-carbon economy.	
Investor Statement on Just Transition	BMO GAM supports the 2019 Statement of Investor Commitment to Support a Just Transition on Climate Change, which commits investors to consider the social aspects of the transition to a lower-carbon economy.	
Government of Canada Expert Panel on Sustainable Finance	In 2019, the Government of Canada's Expert Panel on Sustainable Finance released its final report on sustainable finance in Canada. BMO supports the panel's recommendations, and directly engaged with, and provided feedback to, the members of the expert panels they developed those recommendations.	
UNEP-FI TCFD Pilot Project for Banks – Phase 2	BMO is participating in Phase 2 of the UNEP-FI TCFD Banking Pilot to enhance our TCFD implementation. The pilot aims to broaden and expand the group of participating banks and external partners, enhance the existing TCFD toolkit (including scenarios, data and methodology, reporting and governance), and establish UNEP-FI's leadership position as an essential platform for advice and dialogue.	
Canadian Bankers Association – TCFD Working Group	BMO is participating in a forum for the industry to develop, share and disseminate best practices on climate-related disclosures that align with the recommendations of the TCFD.	
ISO Technical Committee 207/ Sub-committee 1 on Standardization in the Field of Environmental Management Systems	A member of BMO's Sustainability team is the Head of the Canadian Delegation and the Chair of Canada's Mirror Committee to ISO's Technical Committee 207/Sub-committee 1 on Environmental Management Systems, which is focused on developing standards-based tools in support of sustainability.	
ISO Technical Committee 322 on Standardization in the Field of Sustainable Finance	A member of BMO's Sustainability team was selected by the International Chair of ISO's Technical Committee on Environmental Management as one of two experts to represent over 80 countries at the inaugural meeting of ISO/TC 322 on Standardization in the Field of Sustainable Finance. Its program of work will promote the integration of environmental, social and governance practices into institutional investment decision-making and wider finance management.	
Canadian Standards Association – Technical Committee on Green and Transition Finance in Canada	BMO is participating in a Canadian Technical Committee to develop a National Standard of Canada for Green and Transition Finance.	
CDP Financial Services Sector Technical Working Group	BMO is participating in a Technical Working Group to finalize the development of a new financial services sector reporting framework that is aligned with TCFD recommendations.	



Metrics and Targets

In assessing our approach to climate-related risks and opportunities, BMO tracks the following metrics.

Climate-Related Metrics and Targets

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Metric	2019	2018	2017	2016	
Managing climate-related risks					
Lending to carbon-related assets (% of total assets) ¹	3.3	N/A	N/A	N/A	
Capturing climate-related opportunities					
Renewable energy – participation in equity and debt financing (\$ billions)▲	7.9	6.8	6.4	2.4	
Renewable energy – loan commitments (\$ billions)▲	4.2	3.9	4.2	3.6	
Sustainable bond underwriting (US\$ billions)	9.4	6.3	N/A	N/A	
Maintaining carbon neutrality					Target
Scope 1 GHG emissions (tCO ₂ e)	TBD ²	42,883	38,065	37,837	15% reduction by
Scope 2 GHG emissions (tCO ₂ e)	TBD ²	99,062	103,350	115,334	2021 vs. 2016
Scope 3 GHG emissions³ (tCO₂e)	TBD ²	21,391	21,834	22,097	
Use of procured renewable electricity (MWh)	TBD ²	149,199	158,749	115,138	90% of Scope 2 emissions

^{▲ 2019} data for this metric has been externally assured.

Additionally, as part of BMO GAM's ESG integration approach, we monitor the portfolio-weighted carbon intensity of our portfolios within our key fundamental equity and fixed income strategies. We have published this data for some of our specialist ESG strategies including our Responsible Global Equity, Responsible Global Emerging Markets Equity and Responsible Euro Corporate Bond funds.

¹ Carbon-related assets are measured as the value of net loans and acceptances connected to the energy and utilities sectors, excluding water utilities, independent power producers, electricity transmission and distribution companies, renewable electricity producers, and nuclear electricity producers. The amount is reported as at October 31, 2019, and is expressed as a percentage of total net loans and acceptances.

² Available online in June 2020 at: Environmental Performance

³ Scope 3 emissions include indirect GHG emissions from employee business travel in non-company owned assets and the solid waste sent to municipal landfills (North America only).

⁴ Target to offset 90% of Scope 2 location-based emissions through the purchase of renewable energy certificates each year.



SASB Disclosure

The Sustainability Accounting Standards Board Foundation (SASB) is an independent, non-profit standard-setting organization that develops and maintains robust reporting standards which enable businesses around the world to identify, manage and communicate financially material sustainability information to their investors. Following extensive stakeholder consultation, sector-specific SASB standards were released in October 2018. For more information, visit www.sasb.org.

At BMO, we have seen a growing interest in the investor community for information about sustainability that is reported in line with these standards. This is BMO's first disclosure aligned with the SASB standards relevant to our operating groups and lending activity, including metrics for asset management and custody activities, commercial banks, investment banking and brokerage, and mortgage finance. We plan to expand and improve upon this disclosure in future iterations of this report, based on feedback from our stakeholders and evolving best practices.

Legend

- AR BMO Financial Group 2019 Annual Report to Shareholders
- EENR 2018 Employment Equity Narrative Report
- Sustainability Report and PAS Sustainability Report and Public Accountability Statement
- Supplementary Information Supplementary Financial Information for the Quarter Ended October 31, 2019

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SASB Disclosure	Accounting Metric	2019 Location/Disclosure			
ACTIVITY METRICS	ACTIVITY METRICS – ASSET MANAGEMENT AND CUSTODY ACTIVITY				
FN-AC-000.A	(1) Total registered and (2) total unregistered assets under management (AUM)	BMO reports assets under administration and assets under management. See page 44 of the AR: BMO Wealth Management (Key Performance Metrics and Drivers). BMO does not disclose the breakdown between registered and unregistered AUM.			
FN-AC-000.B	Total assets under custody and supervision	As a Domestic Systemically Important Bank (D-SIB), the Office of the Superintendent of Financial Institutions Canada (OSFI) requires that we disclose on an annual basis information related to the 12 indicators utilized in the G-SIBs assessment methodology, including assets under custody. See page 24 of the 2019 Q1 Report to Shareholders www.bmo.com/main/about-bmo/banking/investor-relations/financial-information			
ACTIVITY METRICS	– COMMERCIAL BANKS				
FN-CB-000.A	(1) Number and (2) value of chequing and savings accounts by segment: (a) personal and (b) small business	BMO reports the average value of Personal Banking and Commercial Banking deposits. See page 36 of the AR (Canadian P&C) and page 40 of the AR (U.S. P&C). BMO does not disclose the number of accounts or the breakdown of chequing and savings accounts.			
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	BMO reports the value of loans by industry within Commercial Banking and by product within Personal Banking. See page 122 of the AR (Table 7: Net Loans and Acceptances – Segmented Information); and page 123 of the AR (Table 9: Net Loans and Acceptances – Segmented Information, Net Business and Government Loans by Industry).			
		BMO also reports the amount of money authorized to be made available as debt financing to firms in Canada, by province, and the number of firms to which debt financing was made available. See page 121 of this report: Public Accountability Statement – Business Debt Financing.			
Activity Metrics –	Investment Banking and Brokerage				
FN-IB-000.A	(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions.	BMO reports the underwriting and advisory fees earned in Capital Markets from securities offerings in which we act as an underwriter or agent, structuring and administering loan syndications and fees earned from providing merger-and-acquisition services and structuring advice. See page 27 of the AR (Non-Interest Revenue). BMO does not report the number and value of transactions.			
ACTIVITY METRICS	– MORTGAGE FINANCE				
FN-MF-000.A	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	BMO reports the value of residential and non-residential mortgages. See page 13 of the Supplementary Information Package (Balance Sheet). In addition, BMO reports the following information related to residential mortgages. See page 30 of the Supplementary Information Package. • Value of residential mortgages past due not impaired • Value of residential mortgages insured and uninsured, and average LTV uninsured • Value of home equity lines of credit (HELOC) • Residential mortgages by remaining term of amortization BMO does not report the number and value of mortgages originated.			
BUSINESS ETHICS					
FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	In fiscal 2019, Bank of Montreal and its affiliates' (collectively, "BMO") total monetary losses in respect of litigation, legal proceedings and/or investigations were not, individually or in aggregate, material to BMO.			
FN-CB-510a.2	Description of whistleblower policies and procedures	See page <u>55</u> of this report: Business Conduct (Speak Up!).			



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SASB Disclosure	Accounting Metric	2019 Location/Disclosure		
DATA SECURITY	DATA SECURITY			
FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), and (3) number of account holders affected	See page 13 of this report: Sustainability Scorecard (Substantiated complaints regarding breaches of customer privacy and losses of customer data).		
FN-CB-230a.2	Description of approach to identifying and addressing data security risks	See page 62 of this report: Cyber Security, Information Security and Privacy. Further information: BMO established an industry-leading Financial Crimes Unit (FCU) in 2019. The FCU ensures a coordinated approach to security across all functions and lines of business, with intelligence-led horizontal collaboration and provisions for rapid recovery. The FCU strengthens our incident response capabilities and integrates layers of protection to safeguard our customers, our partners and our organization from current and emerging security threats. Approach to identifying vulnerabilities in information systems that pose a data security risk BMO's vulnerability identification and remediation process is implemented in alignment with industry best practices, including the requirements for information security certification under ISO 27001:2013, and is independently audited for compliance and operational effectiveness on an annual basis. BMO conducts periodic vulnerability scans utilizing an industry-leading solution. As per industry best practices, an independent partner also carries out external penetration testing at least once a year. Identified vulnerabilities are verified, risk-rated, tracked, reported and monitored for timely remediation. Approach to addressing data security risks and vulnerabilities BMO is committed to keeping its customer information secure while also providing highly professional and reliable business services. The bank follows cyber security best practices and maintains an IT environment that meets international standards and expectations. To address the rapidly changing security threat landscape, BMO utilizes resilient, agile technologies and makes significant investments in the		
		continuous improvement of its information security posture. BMO is also committed to building and reinforcing the soundest possible foundation by providing appropriate management support and embedding a culture of security across the organization. This involves: A three-lines-of-defence model for effective risk management and compliance monitoring. Appropriate segregation of duties, organizational structures, reporting lines, authorities and security responsibilities. A dedicated security risk governance function that applies risk metrics to monitor the current state of our operations and risk profile. BMO consistently monitors and mitigates information security risks. This includes implementation of the following: Comprehensive policies and standards on information security and privacy. Secure processes for the classification, handling and storage of information. End-point protection and network security. Annual mandatory security awareness training program for all employees. Frequent reporting to our executives, external regulators, and internal and external auditors. Self-assessment against recognized frameworks and process benchmarking. Trends observed in type, frequency and origination of attacks on data security and information systems No single specific area is more vulnerable to attack than any other area. As a large enterprise with a significant technology and user footprint, our infrastructure and employees may be targeted frequently by opportunistic attacks, and less frequently by targeted attacks. Any such incidents are in line with the overall industry threat and risk profile. Policies and procedures for disclosing incidents involving breaches of data security to customers Depending on the nature of the breach, any incidents involving suspected or actual breaches of data security or information systems must be reported to either the Privacy Office or the Information Security Team, which then manages BMO's response to the incident. BMO's response includes notifying regulators and affe		



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SASB Disclosure	Accounting Metric	2019 Location/Disclosure
		 Data and system security efforts related to new and emerging cyber threats and attack vectors The BMO Financial Crimes Unit is responsible for managing all aspects of cyber security, information security, internal and external fraud, and physical security. The unit brings together existing capabilities from across the enterprise into an integrated central function, and uses an industry-leading fusion centre model to enhance both intelligence-gathering and response recovery.
		 As per industry best practices, a well-qualified Cyber Threat Intelligence and Analytics team is also in place, proactively monitoring emerging threats that could impact BMO's employees, processes, technology and customers by gathering threat information from various commercial, industry, government, internal and open sources for analysis. The team also conducts threat hunting on a regular basis to identify potential malicious activity. We continually enhance our cyber security controls in alignment with threat intelligence forecasts.
		 We continue to make additional investments in defensive technology, talent and processes in order to prevent, or detect and manage, cyber security threats within BMO. These measures include benchmarking and review of best practices across the banking and cyber security industries, evaluation of the effectiveness of our key controls and development of new controls, as needed, with ongoing investments in both technology and human resources.
		 In addition, senior management reviews BMO's information security management system at regular intervals to ensure its ongoing suitability, adequacy and effectiveness, and makes timely decisions for continual improvement.
		Degree to which BMO's approach is aligned with external standards or frameworks and/or legal or regulatory frameworks for managing data security • BMO is a highly regulated organization and undergoes many independent reviews on a periodic basis. BMO's cyber security capabilities are on par with our peers in the industry, align with the framework of the U.S. National Institute of Standards and Technology (NIST), and meet the requirements of ISO 27001:2013 certification for information security. We have achieved target maturity level for all controls, and we continue to enhance our controls in alignment with threat intelligence forecasts. BMO was the first Canadian bank to obtain ISO 27001 certification for information security, and we have also been certified (Tier IV) by Uptime Institute for our high-fault-tolerant data centre.
DISCRIMINATORY I	LENDING	
FN-MF-270b.1	1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all borrowers, by FICO scores above and below 660	BMO reports the value of insured and uninsured mortgages, and the average LTV uninsured for residential mortgages. See page 30 of the Supplementary Information Package. BMO does not report the value of mortgages issued to minorities or by credit score.
FN-MF-270b.3	Description of policies and procedures for ensuring non-discriminatory mortgage origination	BMO's Code of Conduct https://www.bmo.com/home/about/banking/corporate-information/codeofconduct and our values of integrity, empathy, diversity and responsibility define how we work, including how we treat our customers.
		Discrimination is a violation of BMO's Code of Conduct and the commitments made as part of the BMO Statement on Human Rights https://corporate-responsibility.bmo.com/our-approach/statement-on-current-issues/
		Further information: page <u>68</u> of this report (Human Rights).
		In addition, BMO's credit risk management framework incorporates governing principles that are defined in a series of corporate policies and standards and are applied to more specific operating procedures. These are reviewed on a regular basis and modified when necessary to keep them current and consistent with BMO's risk appetite. The structure, limits (both notional and capital-based), collateral requirements, monitoring, reporting and ongoing management of our credit exposures are all governed by these credit risk management principles. Lending officers in the operating groups are responsible for recommending credit decisions based on the completion of appropriate due diligence, and they assume accountability for the risks. With limited exceptions, credit officers in Enterprise Risk and Portfolio Management approve all credit transactions and are accountable for providing an objective independent assessment of the lending recommendations and risks assumed by the lending officers. All of these skilled and experienced individuals in the first and second lines of defence are subject to a rigorous lending qualification process and operate in a disciplined environment with clear delegation of decision-making authority, including individually delegated lending limits, which are reviewed annually.
		Further information: page 78 of the AR (Credit and Counterparty Risk).



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SASB Disclosure

Accounting Metric

2019 Location/Disclosure

EMPLOYEE DIVERSITY AND INCLUSION

FN-IB-330a.1

Percentage of gender and racial/ethnic group representation for

- (1) executive management, (2) non-executive management,
- (3) professionals, and (4) all other employees

See page 14 of this report: Sustainability Scorecard (Diversity and Inclusion).

Further information: EENR.

Leadership accountability

- Leadership accountability and advocacy are critical to success. At BMO, our leaders' advocacy for diversity and inclusion starts at the top, with CEO Darryl White, who is a vocal champion of inclusivity. On his first day as our new CEO in November 2017, Darryl signed on as a Catalyst CEO Champion for Change and affirmed his commitment to "reviewing and improving the pipeline of women of diverse backgrounds for advancement and empowering them with a strong support system." He also signed the Catalyst Accord 2022, pledging to work to increase the average percentage of women on boards and in executive positions in corporate Canada to 30% or higher by 2022.
- In 2012, we established the Leadership Committee for Inclusion and Diversity (LCID), an enterprise-wide committee of 25 senior
 executives representing diversity at BMO, which oversees our progress toward achieving our Diversity and Inclusion (D&I) goals and
 advocates for inclusive practices. The committee is co-chaired by a member of BMO's Executive Committee appointed by the CEO. LCID
 establishes strategic priorities that define our direction, along with a number of specific action plans and ambitious workforce goals.
 A D&I update is presented to the Board of Directors on an annual basis.
- BMO's D&I governance model is built on this leadership accountability, and combines a leader-led approach with a grassroots approach
 that is spearheaded by the 6,000 members of our 14 Enterprise Resource Groups (ERGs). Each ERG is sponsored by a senior executive.

Representation goals

We set specific and ambitious goals across our organization by identifying gaps, removing barriers, and then holding everyone – leaders
and managers – accountable for moving BMO forward. We know that what gets measured gets done, so diversity targets are included
every year in the performance objectives for the Group Head of each business. In 2018, the CEO approved the inclusion of diversity
dashboards for review in the meetings of the Performance Committee, which is composed of 52 of our most senior leaders and meets
quarterly to discuss business performance.

Culture of inclusion

• We make our leaders and employees aware of the value of inclusivity, and we share practical actions and behaviours that can help build an inclusive environment. For example, in 2016, we launched Learn from Difference (LFD), a multi-year initiative focused on building inclusive leadership capabilities, equipping leaders with strategies to mitigate the effects of unconscious bias and creating a more inclusive environment for colleagues, customers and the community. Phase one centred on an introductory e-learning course on diversity and inclusion. Within three months, over 80% of managers had completed the course, and 97% of those managers felt confident in their ability to apply what they had learned in everyday business decisions. Creating an inclusive work environment is a responsibility shared by everyone at BMO, and in 2019 we expanded the LFD program to all employees and launched phase two, Learn from Difference for All. See page 42 of this report: Diversity and Inclusion.

Talent practice

• Each year, as part of our Leadership Planning program, we identify employees with the potential to take on more senior roles in the organization and prepare succession slates for key roles. We've mandated that one-third of candidates on all slates for senior roles must be representative of diversity.



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SASB Disclosure	Accounting Metric	2019 Location/Disclosure		
FINANCIAL INCLUS	FINANCIAL INCLUSION AND CAPACITY BUILDING			
FN-CB-240A.1	(1) Number and (2) amount of loans outstanding to qualified programs designed to promote small business and community development	See page 13–15 of this report: Sustainability Scorecard (Number of women-owned businesses; Loans to women-owned businesses; Indigenous communities with which BMO has a relationship; and Business with Indigenous customers); page 32 of this report (Access to Banking); and page 45 of this report (Financial Inclusion).		
FN-CB-240A.3	Number of no-cost retail chequing accounts provided to previously unbanked or underbanked customers	See page <u>46</u> of this report: Financial Inclusion (Free or Discounted Services table).		
FN-CB-240A.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	See page <u>34</u> of this report: Financial Literacy.		
INCORPORATION	OF ESG FACTORS IN CREDIT ANALYSIS			
FN-CB-410a.1	Commercial and industrial credit exposure, by industry	See page 123 of the AR (Table 9: Net Loans and Acceptances – Segmented Information). Further information: page 73 of this report (Climate Report – Climate-Related Risks and Strategy).		
FN-CB-410a.2	Description of approach to incorporation of ESG factors in credit analysis	See page <u>26</u> of this report: Responsible Lending. Further information: AR page 105 (Environmental and Social Risk).		
INCORPORATION	INCORPORATION OF ESG FACTORS IN INVESTMENT BANKING AND BROKERAGE ACTIVITIES			
FN-IB-410a.2	(1) Number and (2) total value of investments and loans incorporating integration of ESG factors, by industry	See page <u>15</u> of this report: Sustainability Scorecard (Sustainable bond underwriting).		
FN-IB-410a.3	Description of approach to incorporation of ESG factors in investment banking and brokerage activities	See page 22 of this report: Responsible Investing; and page 26 of this report: Responsible Lending. Further information: AR page 105 (Environmental and Social Risk).		



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SASB Disclosure

Accounting Metric

2019 Location/Disclosure

INCORPORATION OF ESG FACTORS IN INVESTMENT MANAGEMENT AND ADVISORY

FN-AC-410a.2

Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies

See page 22 of this report: Responsible Investing.

Further information:

Page 73 of this report (Climate Report - Climate-Related Risks and Strategy).

BMO Global Asset Management PRI Reporting Framework 2019 https://www.unpri.org/signatory-directory/bmo-global-asset-management/955.article

The following information pertains to BMO Global Asset Management (BMO GAM).

Approach to incorporation of ESG factors in investment processes and strategies

- ESG integration is the consideration of financially material ESG issues in the course of investment analysis and decision-making, in order to gain a more comprehensive understanding of risk and long-term opportunity.
- In integrating a consideration of ESG factors, BMO GAM takes an approach that is tailored to each specific investment strategy and asset class, to ensure that the resulting analyses are relevant and meaningful for each investment process. Elements of this approach include:
- Screening: BMO GAM offers a range of screened funds for clients who wish to link investment performance to a clear set of ethical and sustainability principles. We have developed stringent criteria to determine the eligibility of companies for investment under these strategies, which are published on our website and are subject to oversight by our Responsible Investment Advisory Council. We review the criteria and indicators on a regular basis to ensure they reflect evolving responses to critical issues, emerging issues, changes in regulation and other developments.
- Thematic: BMO GAM offers a number of thematic investment solutions which seek to generate returns by investing in companies that are
 working to meet specific sustainability challenges. These include the Women in Leadership Fund and the Sustainable Opportunities Global
 Equity Fund.
- Engagement: Our SDG Engagement Global Equity Fund has a mandate based on intensive engagement to improve the long-term performance of investee companies and their contribution to achieving the Sustainable Development Goals.
- Integration: As a long-term investor, we seek to build an understanding of the fundamental factors shaping the risks and opportunities facing the entities that issue the equity or debt we invest in. We believe that ESG factors can have a material impact on the performance of those entities and on the economy as a whole and that a firm commitment to identifying and assessing the risks and opportunities arising from ESG factors is an integral part of good risk management. A consideration of ESG factors is incorporated into our investment analyses across asset classes, including equities, corporate credit, sovereign credit, private equity and real estate, and a tailored approach is taken to address the specificities of each class.

Approach to implementing ESG incorporation practices

- Investment teams lead our approach to identifying and integrating material ESG factors into each of their standard investment processes, with the support of the specialist Responsible Investment team. Fund managers and analysts have access to a range of ESG data and research both third-party and proprietary which they use to systematically flag potentially material concerns that are then subject to further analysis to determine their relevance to the investment case.
- We continuously seek to strengthen the feedback loop that brings together the ESG information and experience we have gained
 through active ownership activities (i.e., engagement and voting) and our main ESG databases and decision-making processes. We do
 this by conducting regular cross-team meetings and presentations on relevant ESG issues, including regular thematic webinars; sharing
 active ownership data across platforms that are accessible to our investment teams; encouraging analysts and portfolio managers to
 address ESG issues in their meetings with investee companies; and closely involving investment teams when we exercise our right to
 vote at shareholders' meetings and design our engagement programs.



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SASB Disclosure	Accounting Metric	2019 Location/Disclosure
FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	See page 22 of this report: Responsible Investing.
		The following information pertains to BMO Global Asset Management (BMO GAM).
		Policies and procedures • See BMO Global Asset Management Responsible Investment Approach https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/responsible-investment-approach.pdf
		See also Corporate Governance Guidelines https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/corporate-governance-guidelines.pdf
		Proxy voting approach • See Policies and procedures (above).
		• BMO GAM publishes all vote reports on our website http://vds-staging.issproxy.com/SearchPage . php?CustomerID=3660&StagingPassword=TRiTenpXpo, including the rationale for our voting decisions. We also communicate with investee companies when our in-house team has reviewed any resolutions that will be presented for voting and has taken a decision to vote against one or more of them, in order to alert those companies to our decision and the rationale.
		 Investee engagement approach Engagement is carried out by our Responsible Investment team, working in close partnership with our investment teams. Our process is based on the following principles:
		 Prioritization: In order to identify targets or areas for engagement, the Responsible Investment team regularly monitors the performance of investee companies in managing ESG issues that present the greatest risks or opportunities in relation to long-term investor value, as well as emerging governance and sustainability trends that could affect groups of companies within a sector or across sectors. This monitoring and research activity significantly overlaps with the proprietary ESG monitoring systems we have set up to support our ESG integration practices.
		 Objective setting: Setting specific engagement objectives and tracking results are both necessary to assess progress and determine next steps. Our Responsible Investment team takes the lead in developing objectives, but this is done in close consultation and collaboration with our investment teams, in order to ensure that our messages to investee companies are robust and consistent. We strive to clearly communicate our engagement objectives and expectations, as well as an outline of a successful outcome, to those companies.
		 Tracking results: We log and report activity in real time in an online engagement database. This includes engagement activity, method of engagement, company response and instances of change. We track the progress of our engagements (at issue-level with a company), and we itemize successful engagements and related milestones. Our engagement and milestone entries aim to capture the context and materiality of our objectives and the impact of the progress made by the company.
		 Escalation: If we deem initial engagement efforts to be unsuccessful, we will consider escalation strategies, such as contacting a company's board, using proxy voting, filing a resolution, reducing our exposure or divesting our holdings.
		- Reporting: We report publicly on our active ownership activities on an annual basis in our Responsible Investment Review.
		• Our internal systems track the level at which engagement takes place. This may be at the board or senior executive level, or with operational or investor relations specialists, depending on the nature of the engagement. We seek board-level engagement where possible.
		BMO GAM publishes a detailed report on engagement annually https://www.bmogam.com/wp-content/uploads/2019/04/responsible-investment-2018-review.pdf , as well as research on individual engagement topics on our website https://www.bmogam.com/wp-content/uploads/2019/04/responsible-investing/ . We also publish reports on the ESG impact of some of the funds we offer, including our Responsible Global Equity Fund and our Responsible Global Emerging Markets Equity Fund. For clients, we frequently include data and case studies of engagement in our regular reporting.



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SASB Disclosure	Accounting Metric	2019 Location/Disclosure	
PROFESSIONAL IN	PROFESSIONAL INTEGRITY		
FN-IB-510b.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Due to the highly regulated nature of its business and its size and longevity in the marketplace, BMO Nesbitt Burns Inc. (BMO NB) is involved in disciplinary actions and regulatory investigations in the ordinary course of business. In some instances, notices of hearings are issued. BMO NB is also subject to numerous legal proceedings and enters into settlement agreements in the ordinary course of business. BMO provides disclosure regarding the material legal proceedings to which it and its direct and indirect subsidiaries, including BMO NB, are a party in its annual report to shareholders.	
FN-IB-510b.2	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	See FN-IB-510b.1 (above).	
FN-IB-510b.4	Description of approach to ensuring professional integrity, including duty of care	BMO's Code of Conduct https://www.bmo.com/home/about/banking/corporate-information/codeofconduct sets out BMO's non-negotiable expectations of behaviour. It is a guide for ethical and responsible decision-making. The Code of Conduct applies to BMO's Board of Directors, to the directors of the boards of BMO's subsidiaries and to all employees of BMO Financial Group.	
SYSTEMIC RISK M	ANAGEMENT		
FN-CB-550a.1	Global Systematically Important Bank (G-SIB) score, by category. Include description of whether score is calculated by BMO or obtained from regulatory authority and whether BMO is required to report the underlying data to the regulators	BMO is not currently on the Financial Stability Board's list of global systemically important banks (G-SIBs). We have been identified as a domestic systemically important bank (D-SIB) by the Office of the Superintendent of Financial Institutions Canada (OSFI). We report the Canadian-dollar-denominated values of the 12 indicators utilized in the G-SIBs assessment methodology, as required. See page 24 of the 2019 Q1 Report to Shareholders https://www.bmo.com/main/about-bmo/banking/investor-relations/financial-information	
FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Stress testing is a key element of our risk and capital management frameworks. Further information: AR page 77 (Stress Testing); AR page 105 (Environmental and Social Risk); page <u>76</u> of this report (Climate Report – Scenario Analysis). In addition, BMO produces stress testing disclosures for our U.S. subsidiaries, BMO Financial Corp. and BMO Harris Bank N.A., as outlined by the United States Government Office of the Comptroller of the Currency and Federal Reserve Board in relation to the Dodd-Frank Wall Street Reform and Consumer-Protections Act. These are available on our website at https://www.bmo.com/home/about/banking/investor-relations/regulatory-disclosure	
TRANSPARENT IN	FORMATION AND FAIR ADVICE FOR CUSTOMERS		
FN-AC-270a.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	In fiscal 2019, Bank of Montreal and its affiliates' (collectively, "BMO") total monetary losses in respect of litigation, legal proceedings and/or investigations were not, individually or in aggregate, material to BMO.	
FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	See FN-AC-270a.1 (above).	



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SASB Disclosure	Accounting Metric	2019 Location/Disclosure
FN-AC-270a.3	Description of approach to informing customers about products and services	The fair design and sale of financial products and services is addressed in BMO's Code of Conduct. BMO has also participated in the development of, and is committed to, voluntary commitments and codes of conduct that are intended to protect customers, which are listed on our website https://www.bmo.com/home/popups/global/codes-of-conduct
		BMO complies with all regulations that are intended to protect the interests of customers. Regulators to which our retail banking business is subject include the Financial Consumer Agency of Canada for our Canadian operations, and the Consumer Financial Protection Bureau for our U.S. operations. Regulators to which our wealth management business is subject include the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association (under the umbrella of the Canadian Securities Administrators) for our Canadian operations, and the Financial Industry Regulatory Authority, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Department of Labor for our U.S. operations.
		BMO's compensation and incentive plans are designed to encourage and reward performance aligned with appropriate behaviours. BMO's performance management process balances "what" our employees achieve with "how" they demonstrate our values. Sales force training reinforces these expectations. Sales revenue is generally recognized when a customer uses a product, and may be reversed if a customer cancels or does not use a product. Customers can raise and escalate concerns through defined processes. Regular monitoring of our sales force, along with audits and reviews of our policies and procedures, ensures the continued integrity of our practices and processes. In 2018, the Human Resources Committee of BMO's Board of Directors reviewed retail incentive compensation plans in conjunction with the joint review of retail sales practices at six Canadian banks conducted by the Financial Consumer Agency of Canada and OSFI.
		Further information:
		Page $\underline{54}$ of this report (Business Conduct); and page $\underline{56}$ of this report (Consumer Protection and Transparency).
		BMO Code of Conduct.
		Voluntary codes of conduct and public commitments regarding the fair design and sale of financial products and services https://www.bmo.com/home/popups/global/codes-of-conduct
		What you need to know about Coercive Tied Selling https://www.bmo.com/bmo/files/images/3/1/CoerciveTiedSelling_eng.pdf



GRI Index

Legend

- AIF Annual Information Form for the year ended October 31, 2019
- · AR BMO Financial Group 2019 Annual Report to Shareholders
- EENR 2018 Employment Equity Narrative Report

- Sustainability Report and PAS Sustainability Report and Public Accountability Statement
- PC Notice of Annual Meeting of Shareholders and Management Proxy Circular (for the meeting held on April 2, 2019 – current at the time this report was published)

GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
GENERAL DISCLOS	GENERAL DISCLOSURES		
Organizational Pro	Organizational Profile		
GRI 102-1	Name of the organization.	Bank of Montreal.	
GRI 102-2	Activities, brands, products, and services.	Bank of Montreal brands the member companies of the organization as "BMO Financial Group." As such, in this report, the names BMO and BMO Financial Group mean Bank of Montreal together with its subsidiaries. Further information: AR pages 15 and 199–200.	
GRI 102-3	Location of headquarters.	BMO's head office is located at 129 rue Saint-Jacques, Montreal, Quebec, H2Y 1L6, and its executive offices are located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.	
GRI 102-4	Location of operations.	The topics addressed in the 2019 Sustainability Report cover our enterprise-wide operations. Further information: AR pages 199–200 (Operating and Geographic Segmentation); and AR page 203 (Significant Subsidiaries).	
GRI 102-5	Ownership and legal form.	Bank of Montreal is a Canadian Schedule 1 bank and a public company with common shares that are listed on the Toronto and New York stock exchanges. These shares are widely held by institutional and retail shareholders. Further information: AR page 142.	



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
GRI 102-6	Markets served.	We conduct our business through three operating groups: • Personal and Commercial Banking • BMO Wealth Management • BMO Capital Markets Further information: AR pages 199–200.
GRI 102-7	Scale of the organization.	See inside front cover of this report: About Us. Further information: AR pages 15 and 199–200.
GRI 102-8	Information on employees and other workers.	See page 115 of the PAS: BMO Headcount. Further information: EENR page 2 (Highlights of representation for women in 2018) corporate-responsibility.bmo.com/reports/
GRI 102-9	Supply chain.	In 2019, we purchased goods and services in North America with a total cost of approximately CAD\$5.7 billion from approximately 9,713 suppliers. Of that amount, approximately CAD\$3.9 billion was spent through our Canadian operations and approximately CAD\$1.8 billion was spent through our U.S. operations. Supplier Diversity Diversity is a core value of the bank and our Supplier Diversity Program is a key component in BMO's overall diversity strategy. Integrating diverse suppliers into our supply chain aligns us with the goals of our shareholders, customers and employees. We are committed to building long-term relationships with diverse suppliers and ensuring that qualified minority, women, veteran, persons with disabilities, lesbian, gay, bisexual, transgender and Aboriginal-owned businesses have equal opportunity to compete for our business. We work directly with these diverse businesses and we expect our suppliers to provide similar opportunities in their supply bases. The Supplier Diversity Program has won numerous awards in 2019 and continues to accelerate its work in proactively integrating diverse suppliers into our supply chain. • 2019 Corporation of the Year (Canada) – Canadian Gay and Lesbian Chamber of Commerce • 2019 Corporation of the Year Nominee (Canada) – Canadian Aboriginal and Minority Supplier Council (CAMSC) • 2019 Canada Most Improved Supplier Diversity Program (Canada) – Women Business Enterprise (WBE) Canada • 2019 Canada Champion of the Year, Catherine Grosz (Canada) – WBE • 2019 25 Women in Power Impacting Diversity, Catherine Grosz (U.S.) – CAMSC Further information:

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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
GRI 102-12	External initiatives.	• 30% Club
		Carbon Disclosure Project
		• Catalyst Accord
		• Equator Principles
		• ISO 14001 Environmental Management System
		Leadership in Energy and Environmental Design (LEED)
		Sustainability Accounting Standards Board Financial Industry Advisory Group
		Task Force on Climate-related Financial Disclosures (TCFD)
		United Nations Global LGBTI Standards of Conduct for Business
		United Nations Principles for Responsible Investing
		United Nations Universal Declaration of Human Rights
		United Nations Women's Empowerment Principles
GRI 102-13	Membership of associations.	Asian Corporate Governance Association
UKI 102-15	membership of associations.	Canadian Bankers Association
		Carbon Pricing Leadership Coalition
		Corporate Governance Advisory Committee
		Council of Institutional Investors
		• Eumedion
		Global Compact Network Canada
		Global Investor Governance Network
		Global Network Initiative
		Institutional Investors Group on Climate Change
		International Corporate Governance Network
		• Investment Association
		Investor Forum
		Responsible Investment Association (Canada)
		UK Sustainable Investment and Finance Association
		United Nations Environment Programme – Finance Initiative

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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
Strategy		
GRI 102-14	Statement from senior decision-maker.	See page $\underline{2}$ of this report: Message from the CEO, BMO Financial Group; and page $\underline{3}$ of this report: Message from the Chair, BMO Sustainability Council.
GRI 102-15	Key impacts, risks, and opportunities.	For risks related to environmental, social and governance (ESG) practices and activities, see page 105 of the AR: Environmental and Social Risk; and page 106 of the AR: Reputation Risk. For BMO's approach to risks and opportunities related to climate change, see page 70 of this report: Climate Report. Interests of our stakeholders are disclosed on page 10 of this report: Engaging Our Stakeholders (see table). Our approach to risk management is discussed on page 26 of this report: Responsible Lending. Further information: BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances Statement on Human Rights corporate-responsibility.bmo.com/our-approach/statement-on-current-issues Page 68 of this report: Human Rights Modern Slavery and Human Trafficking Statement corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Ethics and Integrit	, /	
GRI 102-16	Values, principles, standards, and norms of behaviour.	See page 54 of this report: Business Conduct. Further information: BMO's Code of Conduct www.bmo.com/home/about/banking/corporate-information/codeofconduct Supplier Code of Conduct www.bmo.com/home/about/banking/corporate-information/supplier-information/supplier-code-of-conduct Statement on Human Rights corporate-responsibility.bmo.com/our-approach/statement-on-current-issues Modern Slavery and Human Trafficking Statement corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
GRI 102-17	Mechanisms for advice and concerns about ethics.	See page <u>55</u> of this report: Business Conduct (Speak Up!).
Governance		
GRI 102-18	Governance structure.	Our Board's oversight of issues related to sustainability is discussed on page <u>57</u> of this report: Corporate Governance. In addition, Board Committee charters are available on BMO's website under Corporate Governance and Board Committees. www.bmo.com/home/about/banking/corporate-governance Further information: page <u>70</u> of this report (Climate Report).
GRI 102-19	Delegating authority.	The CEO has delegated responsibility for sustainability, including climate change, to BMO's General Counsel, who is a member of BMO's Executive Committee and reports directly to the CEO. BMO has appointed a Chief Sustainability Officer (CSO), who is situated in Corporate Affairs and reports to the Corporate Secretary and General Counsel. The CSO is responsible for the development and execution of sustainability strategy, including internal advisories, stakeholder engagement and disclosure. Further information: page 70 of this report (Climate Report).



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics.	A Sustainability Council was established in 2008, chaired by BMO's General Counsel and composed of senior leadership representing each business and corporate area. The Sustainability Council meets quarterly and acts as a support and advisory body to oversee the implementation of BMO's sustainability strategy and discuss topics that include risks, opportunities and disclosure related to climate change. Further information: page 58 of this report (Sustainability Governance).
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics.	See page 9 of this report: Partnerships for the Goals; and page 10 of this report: Engaging Our Stakeholders. See our Shareholder Engagement Policy at www.bmo.com/home/about/banking/corporate-governance/about-us/shareholder-engagement-policy
GRI 102-22	Composition of the highest governance body and its committees.	Board of Directors: www.bmo.com/home/about/banking/corporate-governance/board-of-directors Board Committees: www.bmo.com/home/about/banking/corporate-governance Further information: PC pages 11–36 (Directors and Corporate Governance).
GRI 102-23	Chair of the highest governance body.	The Chair of the Board of Directors is not an executive officer.
GRI 102-24	Nominating and selecting the highest governance body.	See our Governance and Nominating Committee Charter, Director Independence Standards and Board Diversity Policy at www.bmo.com/bome/about/banking/corporate-governance/select-documents Further information: PC page 11 (Directors).
GRI 102-25	Conflicts of interest.	See page 43 of the PC (Ethical Business Conduct).
GRI 102-26	Role of the highest governance body in setting purposes, values, and strategy.	Sustainability issues fall within the mandate of the Board of Directors and several of its committees. Enterprise and group strategies are reviewed with the Executive Committee and the Board of Directors annually in interactive sessions that challenge assumptions and strategies in the context of both the current and the potential future business environment. Further information: page 58 of this report (Sustainability Governance); and AR page 105 (Strategic Risk).
GRI 102-27	Collective knowledge of highest governance body.	BMO's directors are recruited and evaluated based on a skills matrix that includes experience related to sustainability. Eight of our 14 independent Board members have such experience. New and current Board members receive training on sustainability topics. Training related to climate change risks and disclosure is available to all of BMO's directors. See page 58 of this report: Sustainability Governance. Further information: PC page 25 (Skills Matrix); and page 70 of this report (Climate Report).
GRI 102-28	Evaluating the highest governance body's performance.	The Governance and Nominating Committee of the Board of Directors is responsible for monitoring and evaluating the process for assessing the performance and effectiveness of the Board and committees of the Board (including a self-assessment of this committee), which takes into account the Board Mandate or Board Committee charters as applicable. Further information: Governance and Nominating Committee Charter, available on our website at www.bmo.com/home/about/banking/corporate-governance/select-documents
GRI 102-29	Identifying and managing economic, environmental, and social impacts.	The Executive Committee (EC), composed of our most senior leaders, is responsible for overseeing the overall sound governance and management of all aspects of our operations. The EC also oversees the execution of all strategies and business plans and reviews their effectiveness. Further information: AR page 105 (Strategic Risk).

GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
GRI 102-30	Effectiveness of risk management processes.	The Risk Management Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for BMO's identification and management of risk, adherence to risk management corporate policies, and compliance with risk-related regulatory requirements. The Risk Review Committee Charter is available on our website at www.bmo.com/home/about/banking/corporate-governance/select-documents Further information: page 70 of this report (Climate Report).
GRI 102-31	Review of economic, environmental, and social topics.	The Risk Review Committee of the Board of Directors will meet as frequently as it determines necessary, but not less than eight times in each fiscal year. The committee has in-depth discussions with management at each committee meeting on risk management and risk strategies related to key businesses and products. For details on identification, analysis and management of risk, see page 35 of the PC: Report of the Risk Review Committee. Further information: page 70 of this report (Climate Report).
GRI 102-32	Highest governance body's role in sustainability reporting.	Board-level oversight of sustainability is embedded in the charter of our Board's Audit and Conduct Review Committee. This committee meets annually with the Chief Sustainability Officer and the Corporate Secretary and General Counsel to review and discuss the findings disclosed in the BMO Sustainability Report and to consider matters related to sustainability. In December 2019, the Sustainability Report and climate-related disclosure were reviewed by the full Board of Directors. See page 58 of this report: Sustainability Governance. Further information: PC page 45 (Audit and Conduct Review Committee); PC pages 48–49 (Sustainability); and page 70 of this report (Climate Report).
GRI 102-33	Communicating critical concerns.	Critical concerns are reported to the Board of Directors in the form of a report. For example, any non-compliance issues that arise are reported quarterly to the Audit and Conduct Review Committee.
GRI 102-34	Nature and total number of critical concerns.	Not disclosed. Reason for omission: Confidentiality constraints. Explanation: BMO considers this type of information confidential.
GRI 102-35	Remuneration policies.	For BMO's approach to executive compensation and 2018 results and compensation, see page 59 of the PC: Compensation Discussion and Analysis. Executives at the business group level are measured on the profitability of their areas of accountability. Informing the decisions relative to incentive compensation are contributions to productivity challenges and, more specifically, ongoing control over expenses. Sustainability contributions are also considered. Further information: page 66 of this report (Linking Sustainability and Executive Compensation); and PC pages 55–56 (Board of Directors' position on Shareholder Proposal 3 – Integrating Environmental, Social and Governance Criteria into Executive Compensation).
GRI 102-36	Process for determining remuneration.	For BMO's approach to executive compensation and 2018 results and compensation, see page 59 of the PC: Compensation Discussion and Analysis.
GRI 201-37	Stakeholders' involvement in remuneration.	See page 67 of the PC: Independent advice.
GRI 102-38	Annual total compensation ratio.	Not disclosed. Reason for omission: Confidentiality constraints. Explanation: See PC pages 54–55 (Board of Directors' position on Shareholder Proposal 2 – Disclosure of Pay Ratio).
GRI 102-39	Percentage increase in annual total compensation ratio.	See above.

GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Stakeholder Engaç	Stakeholder Engagement		
GRI 102-40	List of stakeholder groups.	See page 10 of this report: Engaging Our Stakeholders.	
GRI 102-41	Collective bargaining agreements.	Currently, 0% of employees are covered by collective bargaining agreements. For BMO's position on freedom of association and collective bargaining, refer to corporate-responsibility.bmo.com/our-approach/statement-on-current-issues	
GRI 102-42	Identifying and selecting stakeholders.	See page 10 of this report: Engaging Our Stakeholders.	
GRI 102-43	Approach to stakeholder engagement.	See page 10 of this report: Engaging Our Stakeholders. For engagement undertaken specifically as part of the report preparation process, see GRI 102-46; and page 12 of this report: Materiality.	
GRI 102-44	Key topics and concerns raised.	See page 10 of this report: Engaging Our Stakeholders. For the list of priority topics, see page 12 of this report: Materiality Matrix.	
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements.	For information about the inter-corporate relationships among Bank of Montreal and its significant subsidiaries, see page 203 of the AR (Significant Subsidiaries).	
GRI 102-46	Defining report content and topic Boundaries.	 See page 12 of this report: Materiality. Further information: BMO conducted a materiality assessment in 2017 using a three-stage assessment process: Topic identification – we identified 19 sustainability topics in a broad review of global research and analysis that considered issues facing our industry, trends, peer benchmarking and disclosure standards. Prioritization – we surveyed more than 3,000 individuals (employees, customers, investors, communities/civil society organizations and BMO leaders across geographic regions) to determine a materiality rating for each of the 19 topics. Ratings were based on a four-point scale and evaluated the importance of the topic to BMO and BMO's stakeholders, as well as the effectiveness of BMO's approach. The survey was supplemented with in-depth interviews with select stakeholders to establish a context for the survey scores and identify any gaps. Validation – an internal workshop with BMO leaders and subject-matter experts was conducted to validate the results, including topics that fell below the threshold of materiality and topics not initially identified. The final materiality matrix was presented to BMO's Sustainability Council. 	
GRI 102-47	List of material topics.	See page 12 of this report: Materiality.	
GRI 102-48	Restatements of information.	 The following information has been restated in this report: Substantiated complaints regarding breaches of customer privacy and losses of customer data – 2018 value has been restated to include the last quarter of the fiscal year. The previously reported 2018 value was as at Q3 2018. Enterprise-wide Net Promoter Score – 2018 value has been restated to reflect changes in survey approach. In 2019, we shortened our surveys in line with best practice and shifted to more digital feedback capture versus phone-administered surveys. Community development loans – 2017 and 2018 values have been restated due to timing of loans closing, timing of reports and receipt of new information. Open positions filled by internal candidates – 2018 value has been restated to adjust for entry-level roles (see definition of Open positions filled by internal candidates in the Glossary of Terms). 	

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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
GRI 102-49	Changes in reporting.	Data in this year's report is enterprise-wide, unless otherwise stated. Where there have been changes in measurement methods, we have identified those changes in a footnote.
GRI 102-50	Reporting period.	BMO's 2019 Sustainability Report and PAS covers our 2019 fiscal year (November 1, 2018 to October 31, 2019).
GRI 102-51	Date of most recent report.	Our most recent previous report is our 2018 ESG Report and PAS, published in December 2018.
GRI 102-52	Reporting cycle.	Annual.
GRI 102-53	Contact point for questions regarding the report.	sustainability@bmo.com
GRI 102-54	Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the GRI Standards: Core option.
GRI 102-55	GRI content index.	This table.
GRI 102-56	External assurance.	See page 112 of this report: Independent Limited Assurance Report by KPMG LLP, Bank of Montreal's auditor.
ECONOMIC PERFO	DRMANCE	
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>6</u> of this report: How We Create Value. Further information: AR page 4 (Chair's Message); AR page 5 (Chief Executive Officer's Message); AR page 2 (Financial Snapshot); and AR page 137 (Consolidated Financial Statements).
GRI 103-2	The management approach and its components.	See above.
GRI 103-3	Evaluation of the management approach.	See above.
GRI 201-1	Direct economic value generated and distributed.	See page 6 of this report: How We Create Value. See also BMO's PAS on page 114 of this report. See also BMO's Statement on Tax Principles: corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
GRI 201-3	Defined benefit plan obligations and other retirement plans.	We provide and/or contribute to pension and/or retirement savings plans for eligible employees globally. See page 37 of this report: BMO Canada Pension Plan (table).
GRI 201-4	Financial assistance received from government.	None.



Growing the Good for a Thriving Economy

Growing the Good for an Inclusive Society

GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
MATERIAL ISSUES	MATERIAL ISSUES		
Access to Banking	Access to Banking		
GRI 103-1	Explanation of the material topic and its Boundary.	See page 32 of this report: Access to Banking. For details on the Boundary of this topic, see page 107 of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
FS14	Initiatives to improve access to financial services for disadvantaged people.	See page 32 of this report: Access to Banking. BMO is committed to creating specialized products and services that make our offerings more accessible.	
Business Conduct			
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>54</u> of this report: Business Conduct. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 412-2	Employee training on human rights policies or procedures.	The total number of training hours on BMO's Code of Conduct during the 2019 program year was 30,654 hours. This is a significant increase from the 17,515 hours completed in 2018 which is due primarily to an increase in the length of the course. See page 14 of this report: Sustainability Scorecard (Employee training on human rights policies or procedures).	
GRI 419-1	Non-compliance with laws and regulations in the social and economic area.	See page 13 of this report: Sustainability Scorecard (Significant fines or monetary sanctions).	
Climate Change	Climate Change		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>70</u> of this report: Climate Report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 201-2	Financial implications and other risks and opportunities due to climate change.	See above.	



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Growing the Good for an Inclusive Society

GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Consumer Protect	Consumer Protection and Transparency		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>56</u> of this report: Consumer Protection and Transparency. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
FS15	Policies for the fair design and sale of financial products and services.	The fair design and sale of financial products and services is embedded in BMO's Code of Conduct. BMO has also participated in the development and is committed to Voluntary Commitments and Codes of Conduct that are designed to protect customers, which are listed on our website www.bmo.com/home/popups/global/codes-of-conduct.	
		BMO complies with all regulations that aim to protect the interests of customers. Regulators to which our retail banking business are subject include the Financial Consumer Agency of Canada for our Canadian operations, and the Consumer Financial Protection Bureau for our U.S. operations. Regulators to which our wealth management business are subject include the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association under the umbrella of the Canadian Securities Administrators for our Canadian operations, and the Financial Industry Regulatory Authority, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Department of Labor for our U.S. operations.	
		BMO's compensation plans and other incentives are designed to encourage and reward performance aligned with appropriate behaviours. BMO's performance management process balances "what" our employees achieve with "how" they demonstrate our values. Sales force training reinforces these expectations. Sales revenue is generally recognized when a customer uses a product, and may be reversed if a customer cancels or does not use a product. Customers can raise and escalate concerns through defined processes. Regular monitoring of the sales force, along with audits and reviews of our policies and procedures, ensures the continued integrity of our practices and processes. In 2018, the Human Resources Committee of BMO's Board of Directors reviewed retail incentive compensation plans in conjunction with the joint review of retail sales practices at six of the Canadian banks conducted by the Financial Consumer Agency of Canada (FCAC) and OSFI.	
		Further information:	
		Page $\underline{54}$ of this report (Business Conduct); and page $\underline{56}$ of this report (Consumer Protection and Transparency).	
		BMO Code of Conduct.	
		Voluntary codes of conduct and public commitments regarding fair design and sale of financial products and services www.bmo.com/bome/popups/global/codes-of-conduct	
		What you need to know about Coercive Tied Selling www.bmo.com/bmo/files/images/3/1/CoerciveTiedSelling_eng.pdf	
Contributing to Co	mmunities		
GRI 103-1	Explanation of the material topic and its Boundary.	See page 48 of this report: Contributing to Communities.	
GRI 103 1	, and the state of	For details on the Boundary of this topic, see page 107 of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 203-2	Significant indirect economic impacts.	See page <u>48</u> of this report: Contributing to Communities. Further information: page <u>32</u> of this report (Access to Banking); and page <u>45</u> of this report (Financial Inclusion).	



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
Corporate Governance		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>57</u> of this report: Corporate Governance. For details on the Boundary of this topic, see page <u>107</u> of this report.
GRI 103-2	The management approach and its components.	See above.
GRI 103-3	Evaluation of the management approach.	See above.
GRI 405-1	Diversity of governance bodies and employees.	See page 13 of this report: Sustainability Scorecard (Women on Board of Directors); and page 14 of this report: Sustainability Scorecard (Diversity and Inclusion).
Customer Experien	се	
GRI 103-1	Explanation of the material topic and its Boundary.	See page 59 of this report: Customer Experience. For details on the Boundary of this topic, see page 107 of this report.
GRI 103-2	The management approach and its components.	See above.
GRI 103-3	Evaluation of the management approach.	See above.
See GRI 102-43 and GRI 102-44		
Cyber Security, Info	ormation Security and Privacy	
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>62</u> of this report: Cyber Security, Information Security and Privacy. For details on the Boundary of this topic, see page <u>107</u> of this report.
GRI 103-2	The management approach and its components.	See above.
GRI 103-3	Evaluation of the management approach.	See above.
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	There were 4 privacy-related substantiated BMO customer complaints made to regulators in fiscal 2019. See page 13 of this report: Sustainability Scorecard (Substantiated complaints regarding breaches of customer privacy and losses of customer data).



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Diversity and Inclu	Diversity and Inclusion		
GRI 103-1	Explanation of the material topic and its Boundary.	See page 42 of this report: Diversity and Inclusion. For details on the Boundary of this topic, see page 107 of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 405-1	Diversity of governance bodies and employees.	See page 13 of this report: Sustainability Scorecard (Women on Board of Directors); and page 14 of this report: Sustainability Scorecard (Diversity and Inclusion).	
Employee Engager	nent		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>64</u> of this report: Employee Engagement. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
See GRI 102-43 and GRI 102-44			
Executive Compens	sation		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>66</u> of this report: Executive Compensation. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
See GRI 102-35			



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Financial Inclusion	Financial Inclusion		
GRI 103-1	Explanation of the material topic and its Boundary.	See page $\underline{45}$ of this report: Financial Inclusion. For details on the Boundary of this topic, see page $\underline{107}$ of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
FS13	Access points in low-populated or economically disadvantaged areas by type.	See page <u>45</u> of this report: Financial Inclusion.	
FS14	Initiatives to improve access to financial services for disadvantaged people.	See page <u>45</u> of this report: Financial Inclusion. BMO is committed to making our facilities and services accessible to everyone. Initiatives include level or ramped entries to our branches, lowered height at our ATMs, account information and print materials in alternative formats (e.g., large print, Braille, audio or e-text statements), TTY/TTD (teletypewriter device), Bell Relay Service and sign language interpreter (ASL for English and LSQ for French). Further information: https://www.bmo.com/home/about/banking/accessibility	
Financial Literacy			
GRI 103-1	Explanation of the material topic and its Boundary.	See page 34 of this report: Financial Literacy. For details on the Boundary of this topic, see page 107 of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
FS16	Initiatives to enhance financial literacy by type of beneficiary.	See page <u>34</u> of this report: Financial Literacy.	
Human Rights			
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>68</u> of this report: Human Rights. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
See GRI 412-2			



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Learning and De	Learning and Development		
GRI 103-1	Explanation of the material topic and its Boundary.	See page 38 of this report: Learning and Development. For details on the Boundary of this topic, see page 107 of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 404-1	Average hours of training per year per employee.	See page 15 of this report: Sustainability Scorecard (Average training hours per full-time equivalent employee); and page 38 of this report: Learning and Development. A breakdown of average hours of training by gender and employee category is not disclosed. Reason for omission: Not applicable (training by gender). Explanation: Investments in training are made across the entire employee base (gender does not enter into these determinations).	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews.	See page 15 of this report: Sustainability Scorecard (Employees receiving regular performance and career development reviews).	
Reducing Our En	vironmental Footprint		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>27</u> of this report: Reducing Our Environmental Footprint. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 302-1	Energy consumption within the organization.	See BMO's ECO ⁵ Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances	
GRI 302-3	Energy intensity.	See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances	
GRI 302-4	Reduction of energy consumption.	See BMO's ECO ^s Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See Carbon Neutrality – Achieving Our Goal corporate-responsibility.bmo.com/our-practices/environmental-stewardship	
GRI 303-1	Interactions with water as a shared resource.	See BMO's ECO ⁵ Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances	
GRI 305-1	Direct (Scope 1) GHG emissions.	See page 14 of this report: Sustainability Scorecard (Scope 1 emissions data). See BMO's ECO's Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances	



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission
GRI 305-2	Energy indirect (Scope 2) GHG emissions.	See page 14 of this report: Sustainability Scorecard (Scope 2 emissions data). See BMO's ECO ⁵ Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
GRI 305-3	Energy indirect (Scope 3) GHG emissions.	See page 14 of this report: Sustainability Scorecard (Scope 3 emissions data). See BMO's ECO ⁵ Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
GRI 305-4	GHG emissions intensity.	See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
GRI 305-5	Reduction of GHG emissions.	See page 14 of this report: Sustainability Scorecard. See BMO's ECO ^s Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's 2019 CDP Response corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances See BMO's Environmental Policy and Approach corporate-responsibility.bmo.com/our-practices/environmental-stewardship/environmental-policy-and-approach
GRI 305-6	Emissions of ozone-depleting substances (ODS).	See BMO's ECO ⁵ Summary Report corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
GRI 307-1	Non-compliance with environmental laws and regulations.	BMO has not paid any significant fines and was not otherwise sanctioned for non-compliance with environmental laws or regulations in fiscal 2019.
Responsible Inve	esting	
GRI 103-1	Explanation of the material topic and its Boundary.	See page 22 of this report: Responsible Investing. For details on the Boundary of this topic, see page 107 of this report.
GRI 103-2	The management approach and its components.	See above.
GRI 103-3	Evaluation of the management approach.	See above.
GRI 203-1	Infrastructure investments and services supported.	See page 14 of this report: Sustainability Scorecard (Community development investments); and page 22 of this report: Responsible Investing
FS10	Percentage and number of companies held in the institution's portfolio with which the organization has interacted on environmental and social issues.	We disclose the number of companies we engaged with and the number of board-level meetings with companies (not the percentages). See page 22 of this report: Responsible Investing (Active, engaged, responsible).



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Responsible Lendi	Responsible Lending		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>26</u> of this report: Responsible Lending. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
FS1	Policies with specific environmental and social components applied to business lines.	Environmental and social risks include the possibility of adverse effects on the natural environment arising from emissions, wastes and resource depletion, as well as risks to the livelihoods, health and rights of communities and their cultural heritage arising from a client's business operations and BMO's financing activities. The existence of environmental and social risks does not preclude us from providing financing to a borrower. We have internal policies for our Commercial Banking and BMO Capital Markets businesses that provide guidance on how to identify, manage and mitigate environmental and social risks in financing transactions. The policies are regularly reviewed and approved by senior management. Further information: AR page 105 (Environmental and Social Risk); and page 70 of this report (Climate Report).	
FS2	Procedures for assessing and screening environmental and social risks in business lines.	Due diligence is performed by the lines of business to determine the magnitude of environmental and social risks. As part of the approval process, the transaction application will include the findings of the line of business. Environmental risk is most prevalent when dealing with environmentally sensitive industries. We have identified more than 50 industries that warrant a higher level of environmental due diligence. Specific due diligence questions are outlined in our financing policies. Environmental and social issues that BMO may encounter in lending (including counterparty transactions) or loan realization are considered in terms of credit, liability and reputation risks. Since 2005, BMO has applied the Equator Principles, a framework for addressing environmental and social risks in certain financing or lending activities (see Equator Principles, page 26). BMO's commitment to addressing environmental and social risks in other lending transactions is achieved through its normal assessment processes. Further information: AR page 105 (Environmental and Social Risk); Equator Principles Report corporate-responsibility.bmo.com/our-practices/responsible-lending; and page 70 of this report (Climate Report).	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Social and environmental requirements in transaction agreements are monitored by the lines of business in the same way that other transaction requirements are monitored.	
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Updates to our policies are widely distributed to all affected employees, and when necessary, we inform key decision-makers on a case-by-case or issue-by-issue basis.	
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	The management of environmental and social risks is integrated into our enterprise-wide risk management processes. As a matter of course, our internal audit function periodically conducts audits on all operating units. These audits include assessing each unit's compliance with relevant environmental and social policies and risk management procedures.	



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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
Sustainable Finan	Sustainable Finance		
GRI 103-1	Explanation of the material topic and its Boundary.	See page 18 of this report: Sustainable Finance. For details on the Boundary of this topic, see page 107 of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	We work with our clients and suppliers to understand and manage social and environmental risks, and to take advantage of opportunities. In 2019, we established a Sustainable Finance team within Capital Markets. The group is responsible for mobilizing the enterprise to pursue opportunities that involve sustainability with customers across all lines of business and their mandate includes client advisory. BMO's Responsible Investing team within BMO GAM has an extensive investee engagement program. Further information: see page 18 of this report: Sustainable Finance; and page 22 of this report: Responsible Investing	
		3	
Talent Attraction a	and Retention		
GRI 103-1	Explanation of the material topic and its Boundary.	See page <u>36</u> of this report: Talent Attraction and Retention. For details on the Boundary of this topic, see page <u>107</u> of this report.	
GRI 103-2	The management approach and its components.	See above.	
GRI 103-3	Evaluation of the management approach.	See above.	
GRI 401-1	New employee hires and employee turnover.	See page 36 of this report: Talent Attraction and Retention. Voluntary turnover rates are provided with a breakdown by gender and region, but not by age. Reason for omission: Information unavailable. Explanation: We will review in 2020.	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	See page <u>36</u> of this report: Talent Attraction and Retention	

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GRI Disclosure	Description	2019 Location/Commentary/Explanation for Omission	
ADDITIONAL INI	ADDITIONAL INFORMATION (not related to the priority topics)		
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities.	During fiscal 2019, 116,073 sick days were recorded by our employees in North America; we did not record any work-related fatalities in fiscal 2019. A breakdown of sick days and work-related fatalities by region or by gender is not disclosed.	
		Reason for omission: Not applicable. Explanation: We do not see any differences in our male and female employee populations that would significantly affect risk of injury or illness, nor do we see any regional differences.	
GRI 415-1	Political contributions.	BMO supports efforts to enhance the transparency of the electoral systems in the jurisdictions in which it does business. BMO does not use corporate funds to make donations to political candidates or parties in Canada or the United States. In the United States:	
		There are two Political Action Committees connected with BMO Financial Corp. that are registered with the U.S. Federal Election Commission (FEC): the BMO Financial Corp Good Governance Fund – Federal, and the BMO Financial Corporation Good Governance Fund – General. Over the period from November 1, 2018 to October 31, 2019, these funds contributed a total of US\$136,500 to political candidates and committees in the United States. These contributions were made from the BMO Financial Corp Good Governance Fund – Federal and the BMO Financial Corporation Good Governance Fund – General, in the amounts of US\$131,300 and US\$5,200, respectively.	
		Further information: Statement on Political Contributions and Lobbying corporate-responsibility.bmo.com/our-approach/statement-on-current-issues	

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		Bour	ndary
BMO Material Issue		Internal (within BMO)	External (outside of BMO)
Table for GRI 102-47			
Access to Banking		Х	Х
Business Conduct		Х	Х
Climate Change		Х	Х
Consumer Protection and Transparency		Х	Х
Contributing to Communities		Х	Х
Corporate Governance		Х	
Customer Experience			Х
Cyber Security, Information Security and Privacy		Х	Х
Diversity and Inclusion		Х	Х
Employee Engagement		Х	Х
Executive Compensation		Х	
Financial Inclusion		Х	Х
Financial Literacy		Х	Х
Human Rights		Х	Х
Learning and Development		Х	Х
Reducing our Environmental Footprint		Х	Х
Responsible Investing		Х	Х
Responsible Lending		Х	Х
Sustainable Finance		Х	Х
Talent Attraction and Retention		Х	Х

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Glossary of Terms

ACTIVE EMPLOYEES

Includes permanent full-time or part-time BMO employees with an "active" payroll status, but excludes temporary/contract employees.

ANNUAL EMPLOYEE SURVEY PARTICIPATION RATE

Calculated as the number of active BMO employees who completed BMOPulse (refer to definition) divided by the total number of active employees who were invited to participate at the time the survey was administered.

ASSETS UNDER MANAGEMENT IN ESG SPECIALIST STRATEGIES FUNDS

The total value of assets held in the BMO Global Asset Management ESG specialist strategies funds. This includes the range of Responsible Funds and other ESG products. The amount is reported as at the specified date.

AVERAGE TRAINING HOURS PER FULL-TIME EOUIVALENT EMPLOYEE

Calculated as total training hours (refer to definition) divided by the average number of full-time equivalent BMO employees during the reporting period for Canada and the United States. The amount does not include self-directed learning through BMO University.

BANKING REVIEWS

Investigations of customer complaints related to Bank of Montreal's Canadian retail banking products (e.g., accounts, loans, credit cards) completed by BMO's Office of the Ombudsman.

BMO FINANCIAL GROUP OR BMO

In this document, the brand names BMO and BMO Financial Group refer to Bank of Montreal, together with its subsidiaries.

BMO GLOBAL ASSET MANAGEMENT

The brand name for various affiliated entities of BMO Financial Group that provide investment management, trust and custody services.

BMO HARRIS BANK

A brand name used by BMO Harris Bank N.A., a national bank headquartered in Chicago with branches located in Illinois, Indiana, Arizona, Missouri, Minnesota, Kansas, Florida and Wisconsin. BMO Harris Bank N.A. is a part of BMO Financial Group.

BMOPULSE

BMO's confidential and voluntary employee survey, conducted by a third party on an annual basis. The online survey is available to all active BMO employees. Results and insights from this voluntary survey are reported at all levels of management and aggregated at an enterprise-wide level. Related metrics include Employee Engagement Index and Annual Employee Survey Participation Rate.

BUSINESS WITH INDIGENOUS CUSTOMERS

The monetary value of commercial products (loans and deposits) held by Indigenous customers and the total outstanding value of loans to Indigenous customers under BMO's On-Reserve Housing Loan Program. This amount excludes the value of all investment fund balances managed by BMO for Indigenous communities and any retail banking products or services provided to Indigenous customers in Canada. The amount is reported as at the specified date, and is reported for Canada only.

CAREER DEVELOPMENT REVIEWS

The regular career development conversations that all regular, active and contract BMO employees are encouraged to engage in to support their ongoing growth and development.

COMMUNITY DEVELOPMENT INVESTMENTS

Investments that promote economic development, affordable housing, revitalization/stabilization and community service activities within BMO Financial

Group's U.S. footprint to meet the needs of individuals or communities with low to moderate incomes. The total monetary value of investments qualified for recognition under the terms of the *Community Reinvestment Act* is reported for the specified period, is stated in U.S. dollars, and is reported for the United States only.

COMMUNITY DEVELOPMENT LOANS

Commercial real estate loans or other commercial loans that promote economic development, affordable housing, revitalization/stabilization and community service activities within BMO Financial Group's U.S. footprint to meet the needs of individuals or communities with low to moderate incomes. The total monetary value of loans qualified for recognition under the terms of the *Community Reinvestment Act* is as at the specified date, is stated in U.S. dollars, and is reported for the United States only.

CONTINGENT TALENT

Includes temporary full-time and part-time workers subcontracted through third-party suppliers, as well as independent (or self-employed) contractors normally working under contract for a fixed period of time or on a specific project that has a defined end date. Workers and contractors included in contingent talent are not considered to be BMO employees.

CUSTOMER LOYALTY SURVEYS

The mechanism used to collect feedback from BMO customers to measure their experience with transactions or relationships involving BMO. These surveys include quantitative loyalty ratings, and may include qualitative commentary. Surveys may also leverage closed loop feedback, which enables additional touchpoints for engaging with customers to discuss their experience and identify opportunities for further improvement.



DIVERSITY

The mix of demographics, skills, experiences and work styles of all BMO employees. Diversity categories include:

- Gender equity in senior leader roles Canada and United States
- Minorities in senior roles Canada
- People of color in senior roles United States
- Indigenous employees Canada (total workforce)
- Persons with disabilities Canada and United States (total workforce)

All active BMO employees and employees on paid leave are included in the metric. Data is reported as of October 31.

DONATIONS

Includes cash-based donations to registered charities and not-for-profit organizations in Canada and the United States. Excludes inkind donations, commercial sponsorships and BMO Employee Giving amounts. The amount is reported for the specified period.

EMPLOYEE ENGAGEMENT INDEX (EEI)

The degree of employee engagement as indicated by the annual BMO employee survey results. EEI is the average of the agreement scores on five survey questions that measure how employees feel overall about BMO, and the level of their commitment, satisfaction and advocacy for the organization. The EEI score is an aggregate of the survey results for all active BMO employees.

EMPLOYEE TRAINING ON HUMAN RIGHTS POLICIES OR PROCEDURES

The total number of hours incurred by all BMO employees on completing the mandatory annual BMO Code of Conduct training course during the period from its April launch day to June 30. Code of Conduct training is reported for all BMO employees (permanent and casual) with an "active" payroll status, as well as covered contingent talent.

EMPLOYEE VOLUNTEER HOURS

The total number of hours volunteered by BMO employees during BMO Volunteer Day and Days of Caring.

EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

The number of BMO employees who receive regular performance and career development reviews as defined within this report, as a percentage of the total number of active BMO employees. Data is gathered for all BMO employees enterprise-wide, and is reported as at the specified date.

ENTERPRISE AND ENTERPRISE-WIDE

Terms we use when referring to Bank of Montreal and all of its subsidiaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The term we use to encompass three distinct areas of our performance within which we consider and report on sustainability issues that have or may have an impact on our stakeholders or our business.

EQUATOR PRINCIPLES

A voluntary risk management framework for determining, assessing and managing environmental and social risk in relation to financial transactions within its scope. BMO has been a signatory of the Equator Principles since 2005.

ETHICS TRAINING

Calculated by dividing the number of employees who completed the mandatory annual BMO Code of Conduct training course during the period from its April launch day to June 30 by the total number of BMO employees as at June 30. Ethics training is reported for all BMO employees (permanent and casual) with an "active" payroll status, as well as covered contingent talent.

ETHICS TRAINING HOURS

The total hours spent by all BMO employees who have completed the mandatory ethics training course during the reporting period. "Course completed" status requires that employees complete the training; pass an assessment with a score of 80% or better to confirm understanding of the course content; and complete the Declaration. Ethics training hours are reported for all BMO employees (permanent and casual) with an "active" payroll status, as well as covered contingent talent.

EXECUTIVE OFFICER ROLES

All BMO employees who are either a Chair, Vice-Chair or President; a Chief Executive Officer or Chief Financial Officer; a Vice-President in charge of a principal business unit, division or function including sales, finance or production; or an individual performing a policy-making function.

FIRST NATIONS PARTICIPATING IN BMO'S ON-RESERVE HOUSING LOAN PROGRAM

The number of First Nations in Canada that have been approved for the On-Reserve Housing Loan Program. This program provides financing for qualifying individuals wishing to build or purchase a personal residence located on a reserve. This amount excludes renovation loans. The amount is reported for the specified period, and is reported for Canada only.

FULL-TIME EQUIVALENT (FTE)

The number of full-time equivalent employees in the organization, calculated based on a standard work week, adjusted for overtime hours and including full-time and part-time employees. This measurement is used in determining the composition and headcount of the total BMO workforce by region.

GENDER EQUITY IN SENIOR LEADER ROLES

The representation of men and women in senior leadership roles by line of business. Data is reported as at the specified date. Gender equity in senior leader roles was previously referred to as Women in senior leader roles.

GLOBAL REPORTING INITIATIVE (GRI)

An independent international organization that issues global standards for sustainability reporting.

GREENHOUSE GAS EMISSIONS

Gaseous constituents of the atmosphere, both natural and human-made, that absorb and emit radiation at specific wavelengths within the spectrum of infrared radiation emitted by the earth's surface, atmosphere and clouds. This process causes the greenhouse effect. Water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and ozone (O₃) are the primary greenhouse gases in the earth's atmosphere. There are a number of entirely human-made greenhouse gases in the atmosphere, such as halocarbons, as well as certain fluorinated gases and halogens.

INDIGENOUS COMMUNITIES WITH WHICH BMO HAS A RELATIONSHIP

The number of First Nations, Inuit, Métis and other Indigenous communities with which BMO has a financial relationship. The amount is reported for the specified date, and is reported for Canada only.



INDIGENOUS EMPLOYEES

The total number of BMO employees who identify themselves as First Nations, Inuit or Métis. Employees who are Indigenous may or may not live on a reserve, and may or may not have status under Canadian legislation. This number is reported for Canada only.

INVESTMENT IN TRAINING

Includes the total amount spent on internal training courses, including design and delivery and associated costs (e.g., travel and materials), administered by BMO's Institute for Learning, and cost reimbursements for external training courses (e.g., tuition fees, travel and materials) in Canada and the United States.

INVESTMENT REVIEWS

Investigations of investment-related complaints completed by BMO's Office of the Ombudsman for customers of Canadian operating subsidiaries: BMO InvestorLine, BMO Investments Inc., BMO Nesbitt Burns, BMO Private Banking (BMO Trust Company, BMO Private Investment Counsel Inc., Bank of Montreal), and/or BMO Life Insurance.

LENDING TO CARBON-RELATED ASSETS

The value of net loans and acceptances connected to the energy and utilities sectors, excluding water utilities, independent power producers, electricity transmission and distribution companies, renewable electricity producers, and nuclear electricity producers. The amount is reported as at the specified date, and is expressed as a percentage of total net loans and acceptances.

LOANS MADE AVAILABLE UNDER BMO'S ON-RESERVE HOUSING LOAN PROGRAM

The total monetary value of loans authorized to Indigenous customers under BMO's On-Reserve Housing Loan Program. The amount is reported for the specified period, and is reported for Canada only.

LOANS TO WOMEN-OWNED BUSINESSES

The total monetary value of loans outstanding to women-owned businesses. The amount is reported as at the specified date, and is reported for Canada only.

MINORITIES IN SENIOR ROLES

The total number of BMO employees in senior roles (see definition) who are racially non-white or ethnically non-Caucasian, other than Indigenous peoples of Canada. Being a member of a minority is unrelated to citizenship, place of birth or religion. This number is reported for Canada only.

NET PROMOTER SCORE (NPS)

The percentage of customers who would recommend BMO to a friend or colleague. Data is gathered in a survey that uses a 10 point scale (0–10). "Detractors" are defined as those who provide a rating of 0–6, "Passives" are defined as those who provide a rating of 7 or 8, and "Promoters" are defined as those who provide a rating of 9 or 10. The NPS score is calculated by subtracting the percentage of "Detractors" from the percentage of "Promoters."

NUMBER OF LOCATIONS SERVING INDIGENOUS COMMUNITIES

The number of BMO branches located on Indigenous lands or Inuit territories, as defined by the Government of Canada. This number is reported for Canada only.

NUMBER OF WOMEN-OWNED BUSINESSES

The total number of women-owned businesses with which BMO has a financial relationship. The amount is reported as at the specified date, and is reported for Canada only.

OPEN POSITIONS FILLED BY INTERNAL CANDIDATES

The number of positions filled by existing BMO employees as a percentage of the total number of open positions adjusted for entry-level roles which by their nature are filled by external candidates. Data is gathered for Canada and the U.S. and covers regular and temporary positions, including full-time and part-time status.

PARTICIPATION IN RENEWABLE ENERGY EQUITY AND DEBT FINANCING

The total amount of financing BMO has participated in and raised for renewable entities and renewable projects (refer to definitions) through public or private issuance of equity, equity-linked or debt securities. For clarity, this figure does not include RENEWABLE ENERGY LOAN COMMITMENTS as defined within this report.

PEOPLE OF COLOR IN SENIOR ROLES

The total number of BMO employees in senior roles (see definition) who are racially non-white or ethnically Hispanic/Latino. This number is reported for the United States only.

PERFORMANCE REVIEWS

The annual performance review process. All regular and full-time BMO employees and executives hired before the beginning of the fourth quarter of BMO's fiscal year (August 1) participate in the annual performance review process in that year and every following year, including the CEO and those who report directly to the CEO. Excludes contract employees.

PERSONS WITH DISABILITIES

The total number of BMO employees who have a long-term or recurring physical, mental, sensory, psychiatric or learning disability and who:

 due to their disability have been accommodated in their current job or workplace; or

- consider themselves to be disadvantaged in employment due to workplace barriers by reason of their disability; or
- believe that an employer or potential employer is likely to consider them to be disadvantaged in employment by reason of their disability.

Disabilities may be non-visible. This number is reported for Canada and the United States.

PROJECT FINANCE

A method of financing in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. Project Finance arrangements play an important role in financing development throughout the world. This type of financing is usually used to fund large, complex and expensive installations that might include power plants, chemical processing plants, mines, and transportation, environmental and telecommunications infrastructure.

PURCHASED RENEWABLE ENERGY CERTIFICATES

The total purchases in megawatt-hours of renewable energy certificates (RECs) during the reporting period. In Canada, RECs represent power from certified wind and low-impact hydro generators. In the United States, RECs represent power generated from wind turbines. In both Canada and the United States, RECs are retired after purchase through legal contract with the supplier.

RENEWABLE ENERGY LOAN COMMITMENTS

The total of all loan commitments BMO has to renewable entities and renewable projects, reflecting the bank's maximum exposure. The amount is derived from BMO Capital Markets' loan commitments as at the specified date.



RENEWABLE ENTITY

A company in the utilities, power generation and/or pipeline sectors that is engaged in power generation where renewable projects account for more than 50% of its power generation capacity, or that otherwise has a strategic focus on investing in renewable energy.

RENEWABLE PROJECT

A power generation facility that produces electricity using one or a combination of the following technologies: hydroelectric; on-shore wind; off-shore wind; solar; or biomass and other biofuels.

SCOPE 1 EMISSIONS

Direct greenhouse gas (GHG) emissions from sources owned and/or controlled by BMO. Total Scope 1 emissions are calculated in accordance with the ISO 14064-1 standard and include those resulting from combustion of fuels at owned facilities (e.g., natural gas, heating oil, other fuels) and in owned transportation assets, as well as certain ozone-depleting substances. This definition of Scope 1 aligns with the GHG protocol and is reported for the period November 1 to October 31.

SCOPE 2 EMISSIONS

Indirect GHG emissions associated with the generation of electricity, heating and cooling, or steam, purchased for BMO's direct consumption. BMO's total Scope 2 emissions include those related to the purchase of electricity and steam from non-renewable sources for use at our owned facilities. This definition of Scope 2 aligns with the GHG protocol and is reported for the period November 1 to October 31.

SCOPE 3 EMISSIONS

Indirect GHG emissions resulting from combustion of fuels at our leased facilities (e.g., natural gas, heating oil, other fuels), or associated with electricity and steam from non-renewable sources purchased for use at our leased facilities, employee business travel (air/auto/rail – North America only) and landfill waste (North America only). Total Scope 3 emissions are calculated in accordance with the ISO 14064-1 standard. This definition of Scope 3 aligns with the GHG protocol and is reported for the period November 1 to October 31.

SENIOR LEADER ROLES

Total number of BMO employees in senior leader roles in Canada and the United States. For lines of business other than BMO Capital Markets, examples of a senior leader role are Managing Director and Vice-President. For BMO Capital Markets, an example of a senior leader role is Group Head.

SENIOR ROLES

BMO employees in Senior Manager roles and above.

SIGNIFICANT FINES/MONETARY SANCTIONS

Significant monetary fines that have been levied against BMO by a regulatory body during the reporting period. A fine is classified as "significant" if it has a monetary value greater than \$500,000 and is deemed by the regulatory body to relate to unethical business practices. Monetary sanctions refer to determinations that prohibit BMO from operating in certain jurisdictions or product lines.

Significant fines/monetary sanctions exclude fines or sanctions levied directly on employees by regulators for a breach of trading rules, where it has been determined that BMO has adequate policies and procedures in place to prevent noncompliance. This is determined by the

regulatory body, which performs an investigation of the individual and the organization in order to establish whether or not the organization was aware of and able to prevent the individual's behaviour with better policies and procedures.

It excludes fines/monetary sanctions for non-compliance with environmental laws and regulations.

SPONSORSHIPS

Includes cash-based sponsorships or "rights fees" that are negotiated as a sponsorship package paid by BMO. Sponsorships are provided to both commercial and non-profit entities.

SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA

All complaints escalated to either the BMO Privacy Office or a privacy regulator that involved a confirmed privacy incident (as confirmed by the BMO Privacy Office).

SUSTAINABLE BOND UNDERWRITING

The total amount of financing BMO has participated in and raised for green, social or sustainable bonds. The amount is derived from BMO Capital Markets and is reported for the specified period.

THIRD-PARTY ASSETS UNDER ADVICE

The total value of assets that BMO Global Asset Management covers through the Responsible Engagement Overlay (*reo*®) service, which gives institutional investors access to our engagement and voting expertise.

TOTAL RAISED THROUGH BMO EMPLOYEE GIVING CAMPAIGN

The total amount of money raised for local United Way organizations and other charities across North America during BMO's Employee Giving Campaign.

TRAINING HOURS

The total number of hours incurred by BMO employees on completed internal training courses during the reporting period. This number excludes self-directed learning through BMO University.

VOLUNTARY TURNOVER RATE

The number of permanent BMO employees who have voluntarily resigned during the reporting period as a proportion of the total number of permanent BMO employees who were active or on paid leave at the end of the reporting period. The rate excludes executives.

WOMEN IN EXECUTIVE OFFICER ROLES

The percentage of named executive officers who are women. Data is reported as at the specified date.

WOMEN IN WORKFORCE

The number of BMO employees who are women as a percentage of BMO's total workforce. Includes all regular employees as well as all active and paid leave employees for BMO Financial Group in Canada and the United States. Data is reported as at the specified date.

WOMEN ON BOARD OF DIRECTORS

The percentage of independent members of BMO's Board of Directors as at the end of the reporting period who are women.

WOMEN-OWNED BUSINESSES

Businesses where at least one of the owners is a woman.



Independent Limited Assurance Report to BMO Financial Group

We have been engaged by the Board of Directors of BMO Financial Group (BMO) to undertake a limited assurance engagement, in respect of the year ended October 31, 2019, on certain qualitative and quantitative performance information disclosed in BMO's 2019 Sustainability Report and Public Accountability Statement (the Report) as described below.

Selected Indicators and applicable criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following performance information (the Selected Indicators):

- Gender equity in senior leader roles Canada and United States (%)
- Minorities in senior roles Canada (%)
- People of color in senior roles United States (%)
- Persons with disabilities Canada and United States (% of total workforce)
- Indigenous employees Canada (% of total workforce)

- Employee Engagement Index (EEI) (%)
- Annual employee survey participation rate (%)
- Voluntary turnover rate enterprisewide (%)
- Voluntary turnover rates Canada and United States (%) (separate)
- Investment in training (\$ millions)
- Average training hours per full-time equivalent employee (# of hours)
- First Nations participating in BMO's On-Reserve Housing Loan Program – Canada (total #)

- Business with Indigenous customers Canada (\$ millions)
- Donations Canada and United States (\$ millions)
- Ethics training (% completion)
- Significant fines or monetary sanctions (#)
- Banking reviews completed by BMO's Office of the Ombudsman (number and average time in days)
- Investment reviews completed by BMO's Office of the Ombudsman (number and average time in days)
- Participation in renewable energy equity and debt financing (\$ billions)
- Renewable energy loan commitments (\$ billions)

The Selected Indicators, contained within the Report and denoted by the symbol ♠, have been determined by management on the basis of BMO's assessment of the material issues contributing to BMO's sustainability performance and most relevant to their stakeholders.

There are no mandatory requirements for the preparation, publication or review of sustainability performance information. As such, BMO applies its own internal reporting guidelines and definitions for sustainability reporting which can be found in the Glossary of Terms in the Report.

Management's responsibilities

Management is responsible for the preparation and presentation of the Selected Indicators in accordance with BMO's internal reporting guidelines and definitions for sustainability reporting, current as at the date of our report. Management is also responsible for determining BMO's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility

Our responsibility in relation to the Selected Indicators 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 comply with applicable professional standards, including International Standard on Quality Control 1.



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 Selected Indicators, and applying analytical and other evidence gathering procedures to the Selected Indicators, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of BMO's processes for determining the material issues for BMO's key stakeholder groups;
- Inquiries with relevant staff at the corporate and business unit level to understand the data collection and reporting processes for the Selected Indicators;
- Where relevant, performing walkthroughs of data collection and reporting processes for the Selected Indicators;
- Comparing the reported data for the Selected Indicators to underlying data sources;

- Inquiries of management regarding key assumptions and where relevant, the re-performance of calculations;
- Reviewing the Selected Indicators presented in the Report to determine whether they are consistent with our overall knowledge of, and experience with, the sustainability performance of BMO; and
- Reviewing the consistency of BMO's core reporting with the indicators and other information included in the Report.

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.

Our assurance report is provided solely to BMO in accordance with the terms of our engagement. Our work has been undertaken so that we can report to BMO on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than BMO for our work, for this assurance report, or for the conclusion we have reached.

Independence and competence

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

Our conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that for the year ended October 31, 2019, the Selected Indicators, as described above and disclosed in the Report, have not been prepared and presented, in all material respects, in accordance with BMO's internal reporting guidelines and definitions for sustainability reporting as at the date of our report.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

December 12, 2019 Toronto, Canada



Bank of Montreal Public Accountability Statement

The Public Accountability Statement outlines certain aspects of Bank of Montreal's contributions, and the contributions of the bank's affiliates with operations in Canada, to the Canadian economy and society. This satisfies the requirements of the Canadian federal government's Public Accountability Statement regulations (section 459.3(1) of the *Bank Act* (Canada)).

Affiliates

The activities of the following prescribed affiliates are included in this Public Accountability Statement. These affiliates are subsidiaries of the Bank of Montreal with less than \$1 billion in equity, except for our securities broker, BMO Nesbitt Burns Inc., and our mutual fund manager and trustee, BMO Investments Inc., which have equity exceeding \$1 billion. BMO Asset Management Inc. BMO Capital Markets Corp.

BMO Investments Inc.

BMO InvestorLine Inc.

BMO Mortgage Corp.

BMO Nesbitt Burns Inc.

BMO Private Equity (Canada) Inc.

BMO Private Investment Counsel Inc.

BMO Trust Company

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Taxes Paid or Payable in Canada (\$ millions)

	Income Taxes	Capital Taxes	Other Taxes		
Federal	678.7	-	116.0		
Province or Territory					
Newfoundland and Labrador	2.2	3.9	2.3		
Prince Edward Island	0.4	0.3	0.2		
Nova Scotia	3.5	2.3	2.1		
New Brunswick	1.8	1.2	1.0		
Quebec	52.9	14.5	50.6		
Ontario	279.1	0.0	384.7		
Manitoba	2.8	5.8	1.9		
Saskatchewan	2.8	6.6	0.9		
Alberta	20.4	-	0.9		
British Columbia	32.3	-	7.8		
Nunavut	-	_	_		
Northwest Territories	0.1	_	_		
Yukon	0.1	_	_		
Total Provincial and Territorial	398.4	34.6	452.4		
Total	1,077.1	34.6	568.4		
Income and Capital Taxes	1,1	1,111.7			
Total Taxes		1,680.1			

Bank of Montreal, along with its Canadian subsidiaries, is a major Canadian taxpayer. In fiscal 2019, our overall tax contribution was \$1,680 million. This amount included \$1,077 million in income taxes, \$35 million in provincial capital taxes and \$568 million in other taxes. Included in the other taxes is \$358 million in goods and services tax/harmonized sales tax and other sales taxes, \$198 million in payroll taxes (employer portion), \$10 million in property taxes and \$2 million in business taxes and other sundry taxes.

BMO Financial Group Headcount¹

Active, paid and unpaid leave employees (permanent, casual and contract). As of October 31, 2019.

Province or Territory	Full-Time	Part-Time	Total
Newfoundland and Labrador	175	63	238
Quebec	4,092	908	5,000
Nova Scotia	374	85	459
Prince Edward Island	42	11	53
New Brunswick	190	73	263
Ontario	19,900	1,763	21,663
Manitoba	290	83	373
Saskatchewan	290	134	424
Alberta	1,691	446	2,137
British Columbia	2,196	603	2,799
Northwest Territories	10	8	18
Yukon	7	3	10
Total ²	29,257	4,180	33,437
United States	12,749	1,161	13,910
International	1,645	93	1,738
Total Employees	43,651	5,434	49,085

¹ Refers to the number of individuals employed full-time and part-time in each province.

² Includes all employees with a Canadian tax location.



Branches Opened and Closed

BMO BANK OF MONTREAL BRANCHES OPENED IN FISCAL YEAR 2019 (CANADA)

Branch	Address	City/Province
Saint-Martin Ouest	3225, boulevard Saint-Martin Ouest	Laval, QC
Stackt Market Bathurst & Front	28 Bathurst Street, Unit 2104	Toronto, ON
Cochrane	55 Bow Street, Unit 101	Cochrane, AB

BMO BANK OF MONTREAL BRANCHES CLOSED IN FISCAL YEAR 2019 (CANADA)

Branch	Address	City/Province
Buchans (Sub Agency)	Main Street	Buchans, NL
Dalhousie	400 William Street	Dalhousie, NB
UNB University Campus	29 Dineen Drive	Fredericton, NB
Gateway Village	2 Hebert Road, Unit 200	St. Albert, AB
Centre Laval	1600, boulevard Le Corbusier, bureau 73	Laval, QC
Alvinston	3238 River Street	Alvinston, ON
Chatsworth	246 Garafraxa Street	Chatsworth, ON
Mimico	2448 Lake Shore Boulevard W	Etobicoke, ON
Highgate	12 Main Street	Highgate, ON
Front & Days	704 Front Road	Kingston, ON
Niagara Falls Main Office	4365 Queen Street	Niagara Falls, ON
Peterborough Main Office	130 Simcoe Street	Peterborough, ON
Sarnia Main Office	215 Christina Street N	Sarnia, ON
King & Yonge	6 King Street W	Toronto, ON
Weston & John	1939 Weston Road	Weston, ON
Weston & Steeles	3700 Steeles Avenue W	Woodbridge, ON
Rochdale	5966 Rochdale Boulevard	Regina, SK
Meadows	2304 24 Street NW	Edmonton, AB
Thorsby	4928 Hankin Street	Thorsby, AB
Kingsway & Cecil	3263 Kingsway	Vancouver, BC

Branches Relocated

BMO BANK OF MONTREAL BRANCHES RELOCATED IN FISCAL YEAR 2019 (CANADA)

Branch	From	То	City/Province	
Saint-Charles & Sainte-Marie	Kirkland	3190, boulevard Saint-Charles	Kirkland, QC	
Vaughan Metropolitan Centre	Jane & Langstaff	100 New Park Place	Concord, ON	
Niagara Square	Niagara Square Shopping Centre	7555 Montrose Road	Niagara Falls, ON	
Owen Sound	Owen Sound Main Office	1150 16th Street E	Owen Sound, ON	
Portage Place	Portage Place	1154 Chemong Road	Peterborough, ON	
Rochdale & Vanstone	Northgate Shopping Centre	3891 Rochdale Boulevard	Regina,SK	



Location	Address	City	Province
Colemans Store	8 Main Street	Buchans	NL
CFB Halifax	Fleet Maintenance Facility	Halifax	NS
Shell	10588 Starrs Road	Yarmouth	NS
Great Canadian Dollar Store	390 William Street	Dalhousie	NB
Irving Oil	1735 Hanwell Road	Hanwell	NB
Chatham	1750 Water Street	Miramichi	NB
Saint-Charles & Sainte-Marie	3190, boulevard Saint-Charles	Kirkland	QC
Saint-Martin Ouest	3225, boulevard Saint-Martin O	Laval	QC
Shell	13150, boulevard Curé-Labelle	Mirabel	QC
IGA	420 2 ^e Avenue	Saint-Jean-sur-Richelieu	QC
Municipality of Brooke	3236 River Street	Alvinston	ON
Shell	557 Cundles Road E	Barrie	ON
Six N Ten Minimart	86 Garafraxa Street	Chatsworth	ON
Foodland	6045 Bank Street	Greely	ON
Grave Diggerz Variety	288 King Street S	Highgate	ON
Metro	460 Gardiners Road	Kingston	ON
Foodland	10166 Glendon Drive	Komoka	ON
Owen Sound	1150 16th Street E	Owen Sound	ON
Bayside Mall	150 Christina Street N	Sarnia	ON
Elgin Centre Mall	417 Wellington Street	St. Thomas	ON
Stackt Market	28 Bathurst Street	Toronto	ON
The Ballroom	145 John Street	Toronto	ON
New Park Place	100 New Park Place	Vaughan	ON
Shell	1440 Plessis Road	Winnipeg	MB
North Albert Shopping Centre	486 Albert Street N	Regina	SK
Rochdale & Vanstone	3891 Rochdale Boulevard	Regina	SK
Cochrane	55 Bow Street	Cochrane	AB
Shell	190 Leva Avenue	Red Deer	AB
Family Foods Village Supermarket	5101 50 Avenue	Thorsby	AB
Safeway	1033 Austin Avenue	Coquitlam	BC
Thrifty Foods	3011 Merchant Way	Langford	BC
Petro-Canada	6080 Sooke Road	Sooke	ВС

ATMs Closed

Location	Address	City	Province
Lawtons	496 Topsail Road	St. John's	NL
Dalhousie	400 William Street	Dalhousie	NB
Scholtens	217 River Valley Drive	Grand Bay	NB
Shell	3337, boulevard Taschereau	Greenfield Park	QC
IGA	30, rue Maple	Grenville	QC
Kirkland	2867, boulevard Saint-Charles	Kirkland	QC
Shell	595, boulevard Laval	Laval	QC
Standard Life Building	1245 Sherbrooke Street W	Montreal	QC
Nettoyeur Teinturerie	1190, avenue Cartier	Quebec City	QC
Complexe Jules-Dallaire	2828, boulevard Laurier	Quebec City	QC
Dépanneur Le Magasin	214, chemin de la Traverse	Saint-Ignace-de-Loyola	QC
Alvinston	3238 River Street	Alvinston	ON
Rexall	370 Wilson Street E	Ancaster	ON
Pharma Plus	4486 Ontario Street	Beamsville	ON
Pharma Plus	10035 Hurontario Street	Brampton	ON
Metro	156 Main Street S	Brampton	ON
Rexall	545 Steeles Avenue W	Brampton	ON
Daisy Mart	989 Ward Street	Bridgenorth	ON
Pharma Plus	351 Argyle Street S	Caledonia	ON
Chatsworth	246 Garafraxa Street	Chatsworth	ON
Jane & Langstaff	8400 Jane Street	Concord	ON
Metro	119 Osler Drive	Dundas	ON
Rexall	126 Queenston Road	Hamilton	ON
Rexall	505 Rymal Road E	Hamilton	ON
Rexall	1395 Upper Ottawa Street	Hamilton	ON
Rexall	930 Upper Paradise Road	Hamilton	ON
Highgate	12 Main Street	Highgate	ON
Front & Days	704 Front Road	Kingston	ON
Food Basics	851 Fischer Hallman Road	Kitchener	ON
Pharma Plus	537 Frederick Street	Kitchener	ON
Rexall	1551 Dundas Street E	London	ON
Pharma Plus	1505 Highbury Avenue N	London	ON
Rexall	90 Copper Creek Drive	Markham	ON
Pharma Plus	6541 Derry Road	Milton	ON



Location	Address	City	Province
Food Basics	500 Laurier Avenue	Milton	ON
Pharma Plus	377 Burnhamthorpe Road	Mississauga	ON
Pharma Plus	3221 Derry Road W	Mississauga	ON
Metro	910 Southdown Road	Mississauga	ON
Pharma Plus	3010 Thomas Street	Mississauga	ON
Rexall	470 Centre Street N	Napanee	ON
Sobeys	100 Mill Street	New Hamburg	ON
Niagara Falls	4365 Queen Street	Niagara Falls	ON
Pharma Plus	288 Sheppard Avenue E	North York	ON
Freshco	564 King Street E	Oshawa	ON
Metro	555 Rossland Road E	Oshawa	ON
Owen Sound Main	899 Second Avenue E	Owen Sound	ON
Sobeys	1899 Brock Road	Pickering	ON
Sarnia Main	215 Christina Street N	Sarnia	ON
Pharma Plus	3607 Sheppard Avenue E	Scarborough	ON
Food Basics	275 Geneva Street	St. Catharines	ON
Esso	21 Beverly Street	St. George	ON
Rexall	848 Lasalle Boulevard	Sudbury	ON
King & Yonge	6 King Street W	Toronto	ON
Sun Life East	150 King Street W	Toronto	ON
Food Basics	5915 Yonge Street	Toronto	ON
Pharma Plus	200 Fitch Street	Welland	ON
Rexall	3840 Howard Avenue	Windsor	ON
Freshco	5840 Malden Road	Windsor	ON
Northgate Shopping Centre	305 Albert Street N	Regina	SK
Rochdale	5966 Rochdale Boulevard	Regina	SK
Midtown Plaza	201 1st Avenue 5	Saskatoon	SK
Rexall	3301 17 Avenue SE	Calgary	AB
Rexall	817 19 Street NE	Calgary	AB
Super Drug Mart	1440 52 Street NE	Calgary	AB
Super Drug Mart	11625 Elbow Drive SW	Calgary	AB
Safeway	9737 Macleod Trail SW	Calgary	AB
Rexall	1110 Panatella Boulevard NW	Calgary	AB
Safeway	200 Stewart Green SW	Calgary	AB
Super Drug Mart	555 Strathcona Boulevard SW	Calgary	AB

Location	Address	City	Province
The Meadows	2304 24 Street NW	2304 24 Street NW Edmonton	
Rexall	10155 50 Street NW	Edmonton	AB
Rexall	11080 51 Avenue NW	Edmonton	AB
Rexall	16703 82 Street NW	Edmonton	AB
Rexall	6104 90 Avenue NW	Edmonton	AB
Rexall	3004 Granville Drive NW	Edmonton	AB
Rexall	101 Bremner Drive	Sherwood Park	AB
Safeway	2020 Sherwood Drive	Sherwood Park	AB
Gateway Village Shopping Centre	2 Hebert Road	St. Albert	AB
Thorsby	4928 Hankin Street	Thorsby	AB
Rexall	4801 50 Avenue	Stony Plain	AB
Rexall	4702 51 Street	Whitecourt	AB
Safeway	32500 South Fraser Way	Abbotsford	ВС
Safeway	27566 Fraser Highway	Aldergrove	ВС
Safeway	45858 Yale Road	Chilliwack	ВС
Safeway	20201 Lougheed Highway	Maple Ridge	ВС
Kingsway & Cecil	3263 Kingsway	Vancouver	ВС



As as October 31, 2019 (\$ millions)

Province or Territory	in \$ millions	\$0- \$24,999	\$25,000- \$99,999	\$100,000- \$249,999	\$250,000- \$499,999	\$500,000- \$999,999	\$1,000,000- \$4,999,999	\$5,000,000 and Greater	Total
Newfoundland and Labrador	Authorized amount	15	36	52	64	118	387	963	1,636
	Number of firms	1,474	817	343	182	178	186	52	3,232
Prince Edward Island	Authorized amount	6	11	22	36	71	218	260	624
	Number of firms	519	274	137	100	97	108	27	1,262
Nova Scotia	Authorized amount	26	47	74	124	258	960	4,033	5,523
	Number of firms	2,519	1,139	463	351	375	446	167	5,460
New Brunswick	Authorized amount	21	44	61	83	143	606	1,772	2,730
	Number of firms	2,106	991	401	238	204	268	97	4,305
Quebec	Authorized amount	264	331	420	642	977	4,031	28,014	34,680
	Number of firms	25,041	8,282	2,648	1,843	1,422	1,872	884	41,992
Ontario	Authorized amount	603	727	917	1,532	2,484	9,510	64,560	80,332
	Number of firms	83,691	18,283	5,885	4,403	3,588	4,415	2,056	122,321
Manitoba	Authorized amount	26	46	44	69	116	522	5,114	5,937
	Number of firms	2,645	1,173	274	197	163	225	161	4,838
Saskatchewan	Authorized amount	42	86	79	152	239	1,084	4,982	6,665
	Number of firms	4,080	2,100	513	441	352	487	142	8,115
Alberta	Authorized amount	195	255	255	432	705	3,097	31,563	36,503
	Number of firms	18,479	6,574	1,696	1,246	1,025	1,404	783	31,207
British Columbia	Authorized amount	218	278	287	515	956	4,880	28,005	35,138
	Number of firms	20,212	7,009	1,901	1,466	1,380	2,230	1,231	35,429
Yukon	Authorized amount	2	3	3	5	8	40	37	97
	Number of firms	155	86	17	12	11	20	4	305
Northwest Territories/Nunavut	Authorized amount	1	2	3	5	16	31	37	94
	Number of firms	116	53	18	15	21	12	3	238
Total	Authorized amount	1,419	1,868	2,218	3,660	6,091	25,364	169,339	209,959
	Number of firms	161,037	46,781	14,296	10,494	8,816	11,673	5,607	258,704



Bank of Montreal Mortgage Corporation Public Accountability Statement¹

Due to the specific nature of its activities, Bank of Montreal Mortgage Corporation (BMMC) provides the following information in response to the requirements set out in section 444.2(1) of the *Trust and Loan Companies Act* and in the applicable regulations.

BMMC, a wholly owned, fully integrated subsidiary of Bank of Montreal, raises funds for mortgage financing by issuing deposit-type instruments (such as GICs) through Bank of Montreal's retail branch network and other proprietary channels, where Bank of Montreal acts for BMMC, as well as through third-party channels. BMMC does not operate branches that are open to the public or other facilities at which deposits are accepted or cash is distributed to customers. BMMC employs 12 full-time employees.

The income and capital taxes paid in Canada by BMO Financial Group, of which BMMC is a member, are listed on page 115 of BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement.

BMMC shares BMO's commitment to community development and philanthropic activity as described in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement. The community development activities of BMMC's employees are integrated with those of BMO Financial Group and its employees, as described in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement on page 48.

As detailed in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement, business debt financing and programs to improve access to financial services are engaged in by Bank of Montreal for BMO Financial Group. BMMC has no other affiliates in respect of which this Public Accountability Statement is published.

¹ As stipulated by the *Trust and Loan Companies Act*, Bank of Montreal Mortgage Corporation, wholly owned by Bank of Montreal, is required to publish a separate Public Accountability Statement.



BMO Life Assurance Company Public Accountability Statement¹

Due to the specific nature of its activities, BMO Life Assurance Company (BMOLA) provides the following information in response to the requirements set out in section 489.1(1) of the *Insurance Companies Act* and in the applicable regulations.

BMOLA is a wholly owned indirect subsidiary of BMO Life Insurance Company, which in turn is a wholly owned subsidiary of Bank of Montreal. BMOLA is a federally regulated life and health insurance company and is licensed to underwrite life, accident and sickness insurance in all provinces and territories of Canada. BMOLA offers individual life, accident and sickness insurance and individual and group annuities through independent insurance agents and directly to consumers. BMOLA has no employees of its own. All of its activities are conducted by employees of Bank of Montreal.

The income and capital taxes paid in Canada by BMO Financial Group, of which BMOLA is a member, are listed on page 115 of BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement.

BMOLA shares BMO's commitment to community development and philanthropic activity, as described in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement. The community development activities of BMOLA are integrated with those of BMO Financial Group and its employees, as described in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement on page 48.

As detailed in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement, business debt financing and programs to improve access to financial services are engaged in by Bank of Montreal for BMO Financial Group. BMOLA has no other affiliates in respect of which this Public Accountability Statement is published.



BMO Life Insurance Company Public Accountability Statement¹

Due to the specific nature of its activities, BMO Life Insurance Company (BMOLI) provides the following information in response to the requirements set out in section 489.1(1) of the *Insurance Companies Act* and in the applicable regulations.

BMOLI is a wholly owned subsidiary of Bank of Montreal. BMOLI is a federally regulated life and health insurance company and is licensed to underwrite life, accident and sickness insurance in all provinces and territories of Canada. BMOLI has no employees of its own. All of its activities are conducted by employees of Bank of Montreal.

The income and capital taxes paid in Canada by BMO Financial Group, of which BMOLI is a member, are listed on page 115 of BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement.

BMOLI shares BMO's commitment to community development and philanthropic activity, as described in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement. The community development activities of BMOLI are integrated with those of BMO Financial Group and its employees, as described in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement on page 48.

As detailed in BMO Financial Group's 2019 Sustainability Report and Public Accountability Statement, business debt financing and programs to improve access to financial services are engaged in by Bank of Montreal for BMO Financial Group. BMOLI has no other affiliates in respect of which this Public Accountability Statement is published.



Related BMO policies, statements and reports	
2018 ECO ⁵ Summary Report	corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
2018 Employment Equity Narrative Report	corporate-responsibility.bmo.com/reports
2019 Annual Report to Shareholders	www.bmo.com/home/about/banking/investor-relations/annual-reports-proxy-circulars
2019 CDP Response	corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
2019 Climate Report	corporate-responsibility.bmo.com/reports
2019 Equator Principles Report	corporate-responsibility.bmo.com/our-practices/responsible-lending
2019 Management Proxy Circular	www.bmo.com/home/about/banking/investor-relations/annual-reports-proxy-circulars
Awards and Recognition	corporate-responsibility.bmo.com/awards-recognition/#
BMO Global Asset Management ESG Viewpoints	bmogamviewpoints.com/
BMO Harris Online and Mobile Privacy Policy	www.bmoharris.com/online-mobile-privacy/
BMO Harris Privacy Notice	www.bmoharris.com/vqn/mobile/privacy2015.html
BMO Privacy Code – Canada	www.bmo.com/main/about-bmo/privacy-security/our-privacy-code/
BMO's Code of Conduct	www.bmo.com/home/about/banking/corporate-information/codeofconduct
Board Diversity Policy	www.bmo.com/home/about/banking/corporate-governance/select-documents
Capital Markets Privacy Code – Hong Kong and Singapore	http://www.bmocm.com/about-us/regulatory/pdfs/English/bmoprivacycode_hongkong_singapore.pdf
Capital Markets Privacy Code – EU	www.bmocm.com/about-us/regulatory/pdfs/English/BMO_EUPrivacyCode.en.pdf
Coercive Tied Selling brochure	www.bmo.com/bmo/files/images/3/1/CoerciveTiedSelling_eng.pdf
Environmental Performance	corporate-responsibility.bmo.com/our-practices/environmental-stewardship/enviro-targets-performances
Environmental Policy	corporate-responsibility.bmo.com/our-practices/environmental-stewardship/environmental-policy-and-approach
Global Asset Management Corporate Governance Guidelines	www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/corporate-governance-guidelines.pdf
Global Asset Management Privacy Notice and Use of Web Tools – Hong Kong	www.bmo.hk/en/privacy
Global Asset Management Privacy Policy – EMEA	www.bmogam.com/privacy-policy/
Global Asset Management Responsible Global Equity Strategy ESG Profile and Impact Report 2019	www.bmogam.com/wp-content/uploads/2019/05/bmo-responsible-global-equity-strategy-esg-profile-and-impact-report-2019.pdf
Global Asset Management Responsible Investment Approach	www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/responsible-investment-approach.pdf
Global Asset Management Responsible Investment Review	www.bmogam.com/wp-content/uploads/2019/04/responsible-investment-2018-review.pdf
Global Asset Management Responsible Investment Strategies Summary Criteria	www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/09/ri-investment-strategies-summary-criteria.pdf
Global Asset Management UNPRI Summary Assessment	www.bmogam.com/us-en/institutional/wp-content/uploads/2019/04/responsible_investing_policy_and_assessment_report.pdf
Modern Slavery and Human Trafficking Statement	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Private Bank Personal Information Collection Statement – Hong Kong and Singapore	www.bmo.com/privatebank/asia/popups/privacy/personal-information.pdf
Shareholder Engagement Policy	www.bmo.com/home/about/banking/corporate-governance/about-us/shareholder-engagement-policy
Statement on Anti-Corruption and Anti-Bribery	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Corporate Governance Practices	www.bmo.com/home/about/banking/corporate-governance/about-us/statement-of-corporate-governance-practices
Statement on Freedom of Association and Collective Bargaining	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Health and Well-being	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Human Rights	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Political Contributions and Lobbying	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Statement on Tax Principles	corporate-responsibility.bmo.com/our-approach/statement-on-current-issues
Supplier Code of Conduct	www.bmo.com/home/about/banking/corporate-information/supplier-information/supplier-code-of-conduct
Sustainable Financing Framework	www.bmo.com/home/about/banking/investor-relations/fixed-income-investors/funding-programs
We're here to help – Resolving Customer Complaints	www.bmo.com/home/popups/global/resolving-a-complaint

Need help?

Email us at: sustainability@bmo.com

This report contains certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-Looking Statements on page 14 of our 2019 Annual Report to Shareholders for a discussion of such risks and uncertainties and the material factors and assumptions related to the forward-looking statements.

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