Welcome to your CDP Climate Change Questionnaire 2021

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Established in 1817, BMO Financial Group (BMO, Bank of Montreal or the bank) is a highly diversified financial services provider based in North America. BMO has a deep sense of purpose and a clear strategy for long-term growth. It is the eighth largest bank in North America by assets, with total assets of $949 billion, and has an engaged and diverse base of employees. BMO provides a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services, conducting business through three operating groups: Personal and Commercial Banking, BMO Wealth Management and BMO Capital Markets. The bank serves eight million customers across Canada through its Canadian personal and commercial banking arm, BMO Bank of Montreal. In the United States, the bank serves more than two million personal, business and commercial banking customers through BMO Harris Bank, based in the U.S. Midwest. BMO also serves customers through its wealth management businesses – BMO Private Wealth, BMO InvestorLine, BMO Wealth Management U.S., BMO Global Asset Management and BMO Insurance. BMO Capital Markets provides a full suite of financial products and services to North American and international corporate, institutional and government clients, through its Investment and Corporate Banking and Global Markets divisions.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Reporting year	November 1, 2019	October 31, 2020	No

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Australia
Barbados
Brazil
Canada
China
France

Germany
Ireland
Luxembourg
Mexico
Netherlands
Portugal
Singapore
Switzerland
Taiwan, Greater China
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

CAD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)
Investing (Asset manager)

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	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 regularly with BMO's Chief Sustainability Officer and General Counsel to review and discuss matters related to sustainability, including climate change and climate-related disclosures. For example, the ACRC reviews and approves our annual Sustainability Report and Public Accountability Statement (PAS). The ACRC reviews and guides strategy, action plans, and performance objectives and targets related to BMO's operational footprint, sustainable finance commitment and climate ambition 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 standards, 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. The RRC also reviews revisions to the Risk Appetite Framework, including the addition of a qualitative statement referencing climate change in 2020 and a Risk Appetite Key Risk Metric regarding carbon-related assets beginning in F2021. The RRC meets eight times annually.

C1.1b

(C1.1b) Provide further details on the board’s oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate The impact of our bank lending activities on the climate The impact of our investing activities on the climate	The Audit and Conduct Review Committee (ACRC) meets regularly with BMO’s Chief Sustainability Officer and General Counsel to review and discuss matters related to sustainability, including climate change risk and opportunity, and climate-related disclosures. The ACRC reviews and guides management in relation to sustainability governance and disclosure, discussing strategy, action plans, and performance objectives and targets related to BMO’s sustainability program, sustainable finance commitment and climate ambition, to oversee 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 standards, 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. The RRC also reviews revisions to the Risk Appetite Framework, including the addition of a qualitative statement referencing climate change in 2020 and a Risk Appetite Key Risk Metric regarding carbon-related assets beginning in F2021. The RRC meets eight times annually.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Risks Officer (CRO)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations	Half-yearly
Other C-Suite Officer, please specify General Counsel	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	As important matters arise
Chief Sustainability Officer (CSO)	Corporate Sustainability/CSR reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Half-yearly
Sustainability committee	Other, please specify Comprised of 19 senior leaders from business and Corporate Support areas	Assessing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our own operations	As important matters arise
Risk committee	Other, please specify Risk Management Committee (RMC) chaired by the CRO	Managing climate-related risks and opportunities	Risks and opportunities related to our own operations	As important matters arise

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

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 former General Counsel is now Special Advisor to the CEO on ESG and 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 20209. 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 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 policies, governance mechanisms and strategies to manage risks and opportunities associated with climate change; providing advisory support to operating groups on identifying, managing, measuring, monitoring and reporting on climate risk associated with our clients and transactions; and producing and publishing climate-related disclosures.

BMO's Chief Risk Officer (CRO) reports directly to the CEO and 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. The CRO reports to the RRC on the effectiveness of BMO's governance of climate risk, and ensures that BMO's climate risk exposure remains within our risk appetite. Enterprise Risk and Portfolio Management (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, and along with relevant internal stakeholders, we have undertaken climate scenario analysis to explore climate-specific vulnerabilities in order to enhance our resilience to climate-related risks, in line with the TCFD recommendations. We are building a climate scenario analysis program that will leverage existing stress testing capabilities while augmenting it with climate-specific expertise. Learnings from previous pilots as well as evolving industry best practices will be used to inform this development work and expand analysis to other sectors in our portfolio.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Energy manager	Monetary reward	Energy reduction project	Energy reduction projects are part of energy managers' mandate and therefore influence decisions related to annual performance-based incentive pay.
Facilities manager	Monetary reward	Energy reduction project	Energy reduction projects are part of facilities managers' mandate and therefore influence decisions related to annual performance-based incentive pay.
Executive officer	Monetary reward	Efficiency target	BMO's executive compensation design links to both bank and operating group performance. Performance measures used to fund BMO's short, mid and long-term incentive plans are tied to key elements of the bank's strategic priorities: customer, productivity and growth. Productivity is measured using the efficiency ratio. Growth is measured using financial metrics including net income. Both metrics are influenced by business unit profitability which is enhanced through energy and greenhouse gas emissions reduction measures. Qualitatively, how the executive's contributions and behaviours align with our responsibility to our customers, employees, the environment and the communities in which we live, and work are assessed. Our control functions may recommend adjustments or reductions in compensation to better reflect sustainability-related factors. We also indirectly consider ESG issues in compensation by factoring them into company-wide financial goals and through secondary considerations, including sustainability metrics such as employee pulse scores and material risk events.
Business unit manager	Monetary reward	Efficiency target	Performance of Business Unit Managers is assessed on the profitability of their areas of accountability. Their contributions to enhancing BMO's productivity, and more specifically to reducing expenses, are also assessed. ESG contributions are also considered. Reduction in energy consumption is one area in which BMO's focus on reducing expenses has also contributed to achieving targeted reductions in greenhouse gas emissions.

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	Yes, as an investment option for some plans offered	

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	1	
Medium-term	1	3	
Long-term	3	20	

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

BMO defines substantive financial impacts as those that would influence our ability to deliver on our strategic priorities and/or meet financial and sustainability performance objectives. Impacts will vary depending on the nature of the risk and whether it is related to our business activities with our clients or related to our own operations. For example, regarding client lending transactions, a substantive impact includes any negative impact on a company's operating leverage such that they would be unable to meet their financial commitments to us.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations

Risk management process

A specific climate-related risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term

Description of process

Climate Risk Assessment is part of BMO's comprehensive Property Risk Management Framework, as described below.

We assess the inherent and residual risks related to the adverse effects of climate change (e.g., extreme weather events) on our corporate real estate across global operations. Through these assessments, we have confirmed that sufficient internal controls are in place to manage any identified physical climate risk and that these controls would be effective in preventing or minimizing any potential impact to our business operations. Internal controls include Emergency Response and Preparedness Plans and Business Continuity Plans.

In addition, we understand that our exposure to operational risks related to our use of resources could be heightened by climate-related physical and transition risks. For example, changes in climate patterns and climate-related 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. We manage energy consumption through energy savings projects such as lighting, HVAC and controls upgrades. If the life-span of assets (e.g. HVAC equipment) are negatively impacted, we modify our capital forecasting. We monitor the regulatory landscape for new fuel or energy taxes and carbon pricing regulations that could affect our operating costs on an ongoing basis through our internal risk management group, feedback from third-party facilities management service providers and participation in industry associations.

BMO also has quarterly risk monitoring programs in place and climate-related risks are among the risks that are monitored.

Example – Physical Risk:
BMO's Sustainability team and BMO Enterprise Artificial Intelligence (AI) Labs, with external partners, has built a climate analytics platform. Using this platform, we have assessed flood risk for the bank's branches. Emergency Response and Preparedness Plans and Business Continuity Plans are in place to respond to flooding events.

Value chain stage(s) covered
Upstream

Risk management process
A specific climate-related risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term

Description of process
BMO's Supplier Code of Conduct outlines the principles BMO expects our suppliers to support - our standards for integrity, fair dealing and sustainability. BMO expects its suppliers be aware of, understand, and respect the principles of the Supplier Code.

Regarding supplier selection, we utilize a rigorous RFP process to determine which risks and/or opportunities could have a substantive financial or strategic impact on our organization. All RFPs include a comprehensive set of sustainability questions that seek to understand proponent's practices related to environmental and social responsibility.

We use environmental and social risk data tools to enhance our monitoring of environmental and social risk issues affecting our supply chain. In 2020, we advanced our capabilities for understanding GHG emissions related to our supply chain, specifically Scope 3 category 1 emissions from purchased goods and services in the GHG Protocol. This work will enable us to better identify carbon hot spots in our supply chain and will also inform the development of our sustainable procurement program.

In 2020, BMO joined CDP Supply Chain to help us better understand the environmental impact of our procurement activities and to provide a platform through which we can engage with a selection of strategic suppliers on climate-related risks and opportunities.

Value chain stage(s) covered
Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

BMO's Enterprise-wide Risk Management Framework (ERMF) defines our approach to risk management, outlines our Risk Governance Framework (including Board and Senior Management Oversight, Risk Appetite Framework and Policy Framework and the corresponding roles across the Three Lines of Defence Operating Model), includes our Risk Management Lifecycle (to identify, assess, manage, monitor and report on our material risks), is enabled through people, process and technology, leverages tools including Modelling and Analytics, Stress Testing, and our Risk Taxonomy (which defines all of the banks material risks) and is underpinned by the foundation of our Risk Culture, The ERMF is overseen by the Chief Risk Officer.

- From a Risk Governance perspective:
  Our Board and Senior Management oversee Climate Change matters through reporting into Board & Management committees, including RRC, ACRC, Executive Committee, Risk Management Committee and the Sustainability Council.
- We have embedded Environmental and Social Risk (E&SR), including Climate Change in our risk management approach to understand and manage our risk and protect our reputation by way of inclusion in our enterprise level, Board-approved Risk Appetite Statement. In Nov 2020 we also established our first Board-reported Climate Change Risk Appetite Key Risk Metric (KRM), which measures our lending in support of carbon-related assets as a % of our total lending portfolio.
- We are documenting our E&SR Framework, including Climate Change risks, by integrating considerations of climate-related risks into existing policies & procedures. In 2020 we updated several financing guidelines to address environmental risks, including climate change, including enhanced due diligence for transactions with customers operating in environmentally sensitive industries. Our E&SR Financing Guideline includes direction to support the identification of specific climate change impacts on the borrower and its operations, including regulatory and/or legislative changes. This includes identifying & assessing our customers' climate change strategies, carbon mitigation plans, and if available, the quality of their disclosures and readiness to respond to climate-related regulatory changes or reputation risk.
- These efforts have been supported by the 3 lines of defense operating model, with the first line operating groups understanding and identifying their risks, the second line Risk Management and Legal & Regulatory Compliance teams providing guidance and effective challenge, and the Audit team beginning their work on ESR audit methodology.

The first step of the Risk Management Life cycle is risk identification. We have been monitoring Climate Change as an emerging risk & in 2020 formally identified the physical & transition risks associated with Climate Change as materials risks to the bank by including them as a sub-risk under our Tier 1 E&SR. However, we also consider Climate Change a transverse risk that impacts all of our other Tier 1 material risks, including: Credit Risk, Market & Liquidity Risk, Insurance Risk, Operational Risk, Legal & Regulatory Risk, Strategic Risk and Reputation Risk. To assess and manage climate-related risks arising from customer relationships, we follow internal guidelines that outline the scope of E&S risk, and establish procedures, including enhanced due diligence, to determine the extent of our exposure to any such risk. These include identifying & assessing our customers' climate change strategies and carbon mitigation plans, and if available, the quality of their climate change disclosures & their readiness to respond to climate-related regulatory changes or reputation risk.

BMO has been a signatory to the Equator Principles(EP) since 2005 and applies its credit risk management framework to identify, assess & manage the E&SR of transactions within scope. As a member of the EP Steering Committee, BMO actively contributed to the evolution of the EP & the release of EP4 in 2019. We are implementing the EP4 framework. BMO's evolving climate scenario analysis program will inform our process for climate-related risk identification, assessment and management going forward. In 2020, we evaluated the potential impact of physical & transition risk on our commercial real estate & agriculture portfolios. These were selected for their contribution to our overall lending ($40.0 billion & $13.5 billion, respectively, jointly amounting to 11.6% of our total lending portfolio in 2020). We also conducted an initial assessment of transition risk on a subset of our metals & mining portfolio.

Example-Transition Risk Assessment: BMO is establishing a climate change scenario analysis program, in line with TCFD recommendations. In 2020, we tested an approach to climate risk stress-testing that's consistent with our broader risk management approach, evaluating the potential impact on credit losses on our commercial real estate, agriculture, and metals & mining portfolios. We considered short-term (immediate), medium-term (2030) and long-term (2040+) time horizons. For our commercial real estate & agriculture portfolios, we evaluated 3 reference scenarios– an orderly transition (2C, RCP 8.5) in which climate policies are introduced early and become gradually more stringent, net zero carbon emissions is achieved before 2070, and we have 67% chance of limiting global warming to 2C; a disorderly transition (2C, RCP 8.5) in which climate policies are introduced beginning in 2030, sharper emission reductions are needed to reach net zero carbon emissions by 2070; and a hothouse world scenario (3C+, RCP8.5) in which currently implemented policies are preserved, emissions grow until 2080 leading to global warming of 3C or more, and irreversible climate changes occur. For our metals & mining portfolio we applied the REMIND(Regional Model of Investment and Development) coupled with the MAgPIE (Model of Agriculture Production & Its Impacts on the Environment) integrated assessment framework. We evaluated two immediate action scenarios – a 2C scenario in which collective action is taken now to reduce emissions towards a 2C target, and a 1.5C scenario in which immediate action is taken now to reduce emissions towards a 1.5C target.

As it relates to monitoring & reporting, the Sustainability Office, ERPM and the Operating Groups are monitoring the impacts of climate change and reporting is being providing internally to the Board and Senior Management and externally to the public via our Sustainability Report and other public disclosures. We have had strong tone from the top, including from our Board, CEO, GC, CRO, and Operating Group Heads. They actively engage in discussion and build awareness about climate change risks and champion climate change related opportunities. Accountability, Effective Communication and Challenge have been established across all three lines of defence, and as noted in C 1.3a, appropriate incentives have been established.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Current regulation, including carbon pricing in the jurisdictions where BMO and our clients operate, is considered in the assessment of climate-related risk facing our own operations and those of our clients. For risks resulting from our own operations, BMO monitors existing fuel or energy taxes and carbon pricing regulations and assesses how that could affect our operating costs based on analysis of our own energy use and emissions. For credit risk resulting from carbon pricing imposed on our clients, BMO's enterprise wide risk management framework includes identifying and assessing our clients' climate change strategies, carbon-mitigation plans, quality of climate change disclosures, and readiness to respond to climate-related regulatory changes. In 2020, BMO conducted scenario analyses on our commercial real estate, agriculture and metals and mining portfolios to explore climate vulnerabilities and enhance our resilience to climate-related risks. The transition risks included were: policy risk from carbon pricing, regulatory risk affecting energy efficiency requirements, market risk from shifts in consumer preferences and shifts away from fossil fuels. Climate scenario analysis considers the potential impact of carbon pricing.
Emerging regulation	Relevant, always included	Emerging regulations have the potential to impact BMO's operating cost and those of our clients. BMO's Legal and Regulatory Compliance Group maintains enterprise-wide frameworks that identify, measure, manage, monitor and report on legal and regulatory issues. Through memberships in associations (e.g. Canadian Bankers Association, United Nations Environment Programme – Finance Initiative, Partnership for Carbon Accounting Financials), BMO stays abreast of changes in policies and legislation in the jurisdictions in which we operate. BMO's enterprise-wide risk management framework includes identifying and assessing our clients' climate change strategies, carbon-mitigation plans, quality of climate change disclosures, and readiness to respond to climate-related regulatory changes. Climate scenario analysis considers the potential impact of carbon pricing. In 2020, BMO conducted scenario analyses on our commercial real estate, agriculture and metals and mining portfolios to explore climate vulnerabilities and enhance our resilience to climate-related risks. The transition risks included were: policy risk from carbon pricing, regulatory risk affecting energy efficiency requirements, market risk from shifts in consumer preferences and shifts away from fossil fuels.

	Relevance & inclusion	Please explain
Technology	Relevant, always included	Technology risk includes the risk that substitution of existing products with lower emissions options could affect credit risk associated with clients in carbon intensive sectors. 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. Within climate scenario analysis, technology risk may be considered on a qualitative basis. In 2019, BMO conducted a scenario analysis pilot project to test the resilience of a selection of upstream oil and gas counterparties to the impacts of climate transition scenarios. The transition risks included in the scenarios analysis were: policy, technology, and market.
Legal	Relevant, always included	Legal and regulatory risk could arise from BMO's actual or perceived actions, or inaction, in relation to climate change, our climate change disclosures, or the activities of our customers, suppliers or other stakeholders. BMO monitors legal risks associated with climate change as part of our overall risk assessment of operational, business and reputation risks.
Market	Relevant, always included	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. Market risk and the potential impact of rising input costs is considered in scenario analysis. In 2020, BMO conducted scenario analyses on our commercial real estate, agriculture and metals and mining portfolios to explore climate vulnerabilities and enhance our resilience to climate-related risks. The transition risks included were: policy risk from carbon pricing, regulatory risk affecting energy efficiency requirements, market risk from shifts in consumer preferences and shifts away from fossil fuels.
Reputation	Relevant, always included	Reputation risk could arise from BMO's actual or perceived actions, or inaction, in relation to climate change, our climate change disclosures, or the activities of our customers, suppliers or other stakeholders. 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.

	Relevance & inclusion	Please explain
Acute physical	Relevant, always included	Physical risks include physical changes to the Earth that could affect our business, including severe weather, flooding or other impacts of climate change. These potential risks exist for all financial institutions, including BMO, in relation to our own operations as well as through exposure to risks of our clients. We face risks arising from environmental events, such as drought, floods, wildfires, earthquakes, and hurricanes and other storms. These events could potentially disrupt our operations, impact our customers and counterparties, and result in lower earnings and higher losses. Factors contributing to heightened environmental risks include the impacts of climate change and the continued intensification of development in areas of greater environmental sensitivity. Our business continuity management preparations provide us with the capability to restore, maintain and manage critical operations and processes in the event of a business disruption. 2020 commercial real estate scenario analysis considered the impact of flood hazards on property values.
Chronic physical	Relevant, always included	Physical risks include physical changes to the Earth that could affect our business, including severe weather, flooding or other impacts of climate change. These potential risks exist for all financial institutions, including BMO, in relation to our own operations as well as through exposure to risks of our clients. 2020 commercial real estate scenario analysis considered the impact of chronic flooding on property values. We also assessed the impact of temperature increases on agriculture yields.

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio’s exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	We have conducted a sector-specific analysis across our lending portfolio to assess our exposure to climate sensitive industries. We have determined that our lending in support of carbon-related assets in 2020 was approximately $13.7 billion and represented 3.0% of our total lending portfolio, relative to 3.3% in 2019. We have also analyzed our power generation portfolio and determined that approximately 58% of lending is to low-carbon energy generation, relative to 55% in 2019. BMO has undertaken climate change scenario analysis to explore climate specific vulnerabilities in order to enhance our resilience to climate-related risks, in line with the TCFD recommendations. We are building a climate scenario analysis program that will leverage existing stress testing capabilities while augmenting with climate-specific expertise. Learnings from previous pilots as well as evolving industry best practices will be used to inform this development work and expand analysis to other sectors in our portfolio. In 2020, we tested this approach on our commercial real estate and agriculture portfolios. Climate scenario analysis is used to identify potential material financial and non-financial risks and to inform our business strategy related to climate change. The results of the scenario analysis are provided to the Sustainability Council, senior management committees and the board. Educating our leaders about potential climate outcomes enables them to incorporate these

	We assess the portfolio's exposure	Please explain
		insights into their decision-making, improving the resilience of our long-term strategic plans.
Investing (Asset manager)	Yes	BMO Global Asset Management (BMO GAM) considers climate change to be one of the defining issues of our generation, and fully supports the goal of the Paris agreement to keep the increase in global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C. As a supporter of the United Nations Sustainable Development Goals (UN SDGs), we recognise that tackling climate change is also an essential foundation for achieving these, particularly SDG Goal 13 on Climate Action. We recognise that we can play an important role in supporting the transition to a lower carbon global economy, and that climate change presents both risks and opportunities that can affect our portfolios and our business. BMO GAM has built an ESG Risk Tool which provides an estimate of companies' carbon intensity versus sector peers, and flags those that are significantly over the sector average. This data is combined with proprietary information, including our engagement and voting, to produce quarterly portfolio-specific reports for fund managers in relevant asset classes. These reports include a carbon footprint analysis, which provides an overall portfolio-weighted carbon intensity. Our engagement activity is a critical part of building an understanding of risk and opportunity. BMO GAM engaged with 484 companies on climate change in 2020, encouraging them to adopt stronger climate strategies. Climate change is also fully integrated into our voting policies. BMO GAM is currently building out a set of new climate analytics tools and metrics in order to support its ambition to transition all assets to net zero emissions by 2050 or earlier. These tools will bring in additional data points to assess the net zero alignment of investee companies, and our investment in solutions.
Other products and services, please specify	Not applicable	

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	All of the portfolio	Qualitative and quantitative	We have conducted a qualitative sector-specific analysis across our lending portfolio to assess our exposure to climate sensitive industries. The analysis covers 100% of the lending portfolio and identifies sectors that are primarily exposed to physical risks, transitions risks, both physical and transition risks, or no climate-related risks. We also conducted three different types of quantitative assessments on a selection of BMO's lending portfolio: Analysis of BMO's carbon-related assets We have determined that our lending in support of carbon-related

	Portfolio coverage	Assessment type	Description
			assets in 2020 was approximately $13.7 billion and represented 3.0% of our total lending portfolio, relative to 3.3% in 2019 Analysis of BMO's lending to power generation We have also analyzed our power generation portfolio and determined that approximately 58% of lending is to low-carbon energy generation, relative to 55% in 2019. 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. Scenario analysis We are developing approaches to generate quantitative assessments of transition and physical risks on selected industries. To date we have evaluated the following portfolios on a quantitative basis: Oil and Gas, Commercial Real Estate, Agriculture and Metals and Mining. Where quantitative analysis is challenging, we are working to incorporate qualitative overlays. BMO has undertaken climate change scenario analysis to explore climate vulnerabilities in order to enhance our resilience to climate-related risks, in line with the TCFD recommendations. We are improving our capabilities to conduct climate change scenario analysis enterprise-wide and developing an approach to climate risk stress-testing that is consistent with our broader risk management approach and that can be replicated for other sectors in our portfolio. In 2020, BMO conducted scenario analyses on our commercial real estate, agriculture and metals and mining portfolios to explore climate vulnerabilities and enhance our resilience to climate-related risks. The transition risks included were: policy risk from carbon pricing, regulatory risk affecting energy efficiency requirements, market risk from shifts in consumer preferences and shifts away from fossil fuels. For our commercial real estate and agriculture portfolios, we evaluated three reference scenarios – an orderly transition (2C, RCP 8.5) in which climate policies are introduced early and become gradually more stringent, net zero carbon emissions is achieved before 2070, and we have 67% chance of limiting global warming to 2C; a disorderly transition (2C, RCP 8.5) in which climate policies are introduced beginning in 2030, sharper emission reductions are needed to reach net zero carbon emissions by 2070; and a hothouse world scenario (3C+, RCP8.5) in which currently implemented policies are preserved, emissions grow until 2080 leading to global warming of 3C or more, and irreversible climate changes occur. For our metals and mining portfolio we applied the REMIND (Regional Model of Investment and Development) coupled with the MAgPIE (Model of Agriculture Production and Its Impacts on the Environment) integrated assessment framework. We evaluated two immediate action scenarios – a 2C scenario in which collective action is taken now to reduce emissions towards a 2C target, and a 1.5C scenario in which immediate action is taken now to reduction emissions towards a 1.5C target. Portfolio coverage is defined as the percent of lending to the sector analyzed compared to BMO's total lending portfolio. We define total lending as the total loans and acceptances, net of allowance for credit losses on impaired loans. BMO's 2020 scenario analyses focused on our commercial real estate portfolio which represents $40.0 billion in lending, or 8.7% of our total

	Portfolio coverage	Assessment type	Description
			lending portfolio; our agriculture portfolio which represents $13.5 billion in lending, or 2.9% of our total lending portfolio; and our metals and mining portfolio which represents $2.4 billion in lending, or 0.5% of our total lending portfolio.
Investing (Asset manager)	Minority of the portfolio	Qualitative and quantitative	Our approach varies by asset class. Fixed income makes up the largest part of BMO GAM AUM, at just over 50%. Listed equity makes up a further 39%. Some of these assets are in single strategies, and some in multi-asset products. The remainder primarily comprises private equity and real estate. BMO GAM has built an ESG Risk Tool, which is available to fund managers invested in relevant asset classes (listed equities and credit). This tool takes MSCI ESG data as its starting point but significantly re-calibrates it to better reflect the views of RI team sector experts on which issues are most material across different sectors. Selected higher-risk companies are identified by our fund managers and analysed individually by members of the Responsible Investment team, and allocated in-house ESG scores which override the default scores. The risk tool provides an estimate of companies' carbon intensity versus sector peers, and flags those that are significantly over the sector average. This data is combined with proprietary information, including our engagement and voting, to produce quarterly portfolio-specific reports for fund managers. These reports include a carbon footprint analysis, which provides an overall portfolio-weighted carbon intensity. The reports also provide details on the contribution of sector and stock selection factors to the footprint, and indicate the companies with the highest carbon intensity versus peers. These reports can then be used by fund managers to identify potentially high-risk companies for deeper analysis. This risk tool is available to our fundamental equity, fixed income and convertibles fund managers in the EMEA region. In the North American region, climate data is also available to enable fund managers to monitor climate data including portfolio-weighted carbon intensity for their portfolios. BMO GAM is currently building out a set of new climate analytics tools and metrics in order to support its ambition to transition all assets to net zero emissions by 2050 or earlier. These tools will bring in additional data points to assess the net zero alignment of investee companies, and our investment in solutions. Fund managers within other asset classes also incorporate material climate risks and opportunities using methodologies tailored to each asset class. For instance within alternatives, our real estate team have a comprehensive approach covering emissions management (using tools including GRESB and CRREM) and physical risk, where they evaluate the level of exposure to various physical climate hazards (seven) and codify the risks (36) at individual asset level and express them as high, medium or low over the short, medium and long terms (20, 40, 60 years) to reflect the scale of consequences and magnitude of impact. They also recently adopted a target of net zero emissions by 2030.Some investment teams also seek opportunities to invest in companies that can contribute to solutions, either as part of the low-carbon energy transition or in addressing the physical impacts of climate change. Examples in our fundamental equity strategies have included water solutions companies, electric vehicle suppliers and renewable energy developers. In fixed income we have significant green bonds investments, both as a

	Portfolio coverage	Assessment type	Description
			component part of wider strategies and as stand-alone specialist mandates.

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Minority of the portfolio	In 2021, BMO launched the BMO Climate Institute (BCI). Unique to the BCI is a new climate analytics platform built by BMO's Sustainability team and BMO Enterprise Artificial Intelligence (AI) Labs with external partners. Leveraging geospatial data and leading scientific modelling, the platform generates actionable insights on the impacts of climate change on physical assets, including water-related impacts such as pluvial and fluvial flooding. BMO has created a rainfall flood risk map for our Canadian residential real estate assets which represents $117 billion in lending, or 25.6% of our total lending portfolio. This enabled us to assess the vulnerability of our mortgage portfolio to property damage and to quantify the potential adverse economic consequences of flooding.
Investing (Asset manager)	Yes	Minority of the portfolio	Water risk analysis features in our analysis of listed companies within equities and fixed income. It is part of our Risk Tool. Deeper analysis only takes place on a subset of higher-risk companies so we have assessed this as applying to a minority of the portfolio. All fundamental fixed income and equity research includes an ESG assessment, making use of both third-party data and internal research. Internal resources available include a sector guide, which sets out which issues (including water) are material to companies in particular sectors. Water risk, where material, forms part of the ESG assessment. We also regularly engage companies on water risk management, and have a water expert on the Responsible Investment team, who has provided internal briefings to fund managers. Engagement topics have included: analysing the depth of water risk assessments and encouraging them be undertaken if not present, encouraging context-based water targets be created and implemented, seeing where opportunities might lie for water management and making sure the company is implementing these whilst managing risks effectively. We also encourage board level oversight of water issues, as we see water governance as critical. For our ESG fund range we also use a quantitative assessment, with annual reporting of portfolio water use versus the relevant benchmark.
Other products and	Not applicable		

services, please specify			

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	No, we don't assess this		BMO will not deal with borrowers that are conducting resource extraction from tropical rainforests, UNESCO World Heritage Sites or High Conservation Value Forests (as defined by the Forest Stewardship Council).
Investing (Asset manager)	Yes	Minority of the portfolio	BMO GAM acknowledges deforestation as a key driver of climate change. Companies exposed to deforestation are vulnerable to operational, financial, regulatory and reputational risks. In 2020 we introduced new screening criteria related to deforestation risks in our responsible fund range, relating to palm oil, soy, sugar, and timber production. Alongside our individual engagement, we participate in various collaborations. This includes two led by the UN Principles for Responsible Investment: one focusing on sustainable soy production, the other on palm oil. PRI will in 2021 combine the two initiatives into one on Sustainable Commodities. We will continue our engagement in the combined group and also join the proposed Practitioners' Group for developing and sharing engagement practices. We are also involved in collaborations led by the FAIRR Initiative, including one addressing the impacts of meat processing on forests; and another on the production of alternative proteins. Together with other investor groups, we signed a broad set of expectations statements, covering: – We signed two consecutive letter to commodity traders Archer-Daniels Midland, Bunge, Cargill, COFCO International, and Louis Dreyfus Company asking for stronger measures to halt deforestation and conversion of native vegetation in the Cerrado region of Brazil, and to establish transparency and robust traceability throughout the supply chain. – We signed a letter to the Indonesian government to flag investor concerns over the implications of the proposed Omnibus Bill on Job Creation which threatens to weaken protection for deforestation and human rights. In 2021 we further enhanced the integration of deforestation issues into our voting policy, by looking at the top 150 banks and insurers by market capitalisation, and at financial institutions where BMO GAM has a substantial holding. We also introduced a deforestation filter for banks that score "0" at Forest500's evaluation. We consider this relevant as deforestation plays a crucial role for climate change and, therefore, will push firms to develop as part of their climate risk management strategies lending and underwriting due diligence criteria for clients or transactions that are potentially contributing to deforestation (e.g. forestry, palm oil, soy, cattle/dairy farming).
Other products and	Not applicable		

services, please specify			

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	We have implemented financing guidelines to address environmental risks, and we apply enhanced due diligence to transactions with customers operating in environmentally sensitive industries. Our Environmental and Social Risk Financing Guideline and sector guidelines include direction on how to develop an understanding of specific climate change impacts on the borrower and its operations, including regulatory and/or legislative changes. This includes due diligence questions and credit risk processes to understand a borrowers' climate change related risks and adaptation and mitigation strategies.
Investing (Asset manager)	Yes, for some	We request information on climate change from investee companies both through direct engagement, and as a signatory to CDP and other disclosure initiatives.
Other products and services, please specify	Not applicable	

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation

Carbon pricing mechanisms

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Changes in climate-related 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. Increases in fuel/energy taxes, carbon pricing and related policy measures (e.g. clean fuel standards, carbon pricing) are likely to increase the cost of electricity and/or natural gas in the regions where BMO operates. This is likely to increase BMO's operational expenses related to real estate including retail branches, office towers, data centres, etc.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

2,710,000

Potential financial impact figure – maximum (currency)

5,240,000

Explanation of financial impact figure

We have estimated the financial impact of increased fuel/energy tax and carbon pricing regulations based on our 2020 energy costs of $54.17 million CAD. Assuming such taxes result in cost increases ranging from 5% to 10%, our energy-related operating costs could be impacted by between $2.71 million and $5.42 million annually.

Cost of response to risk

2,150,000

Description of response and explanation of cost calculation

BMO's Sustainability Office 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, including by setting objectives and GHG reduction targets that align BMO's operations with its Environmental Policy, and reporting on our progress. In 2020, we developed sustainable design and construction guidelines that include energy intensity performance specifications for office and retail construction and renovation projects. These guidelines reflect industry best practices developed by the U.S. and Canada Green Building Councils, the International WELL Building Institute and other organizations. By implementing elements of the Leadership in Energy and Environmental Design (LEED) and WELL standards, we increase the energy efficiency of our buildings.

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 continue to actively manage energy consumption and costs through energy savings projects such as lighting, HVAC and controls upgrades. Where opportunities exist, we also manage costs and insulate the organization against price increases by entering into bulk fuel/electricity purchase contracts at the wholesale level.

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.

There is no additional cost/effort required to implement these response measures as this is a function of our current sustainability and risk management processes. In 2020, the amount invested in energy efficiency projects at BMO was about $2.15 million.

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical

Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

Changes in climate patterns may result in increases in the operating and capital costs associated with the energy and equipment used to heat, cool and power our facilities. Changes to average seasonal temperatures and weather patterns (e.g., hotter summers and colder winters) are likely to increase the amount of energy required to cool and heat the buildings that we occupy, resulting in increased operating costs.

Temperature/weather changes could also impact capital costs by shortening the life-span of heating, ventilation and air conditioning (HVAC) equipment, which could be operating beyond normal design parameters. This might result in us having to invest in upgrading or replacing the equipment before scheduled end-of-life.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

2,710,000

Potential financial impact figure – maximum (currency)

8,130,000

Explanation of financial impact figure

We have estimated the financial impact of increased energy use based on our 2020 energy costs of $54.17 million CAD. Heating or cooling energy consumption can change by 5% for every degree decrease or increase, respectively, in mean (average) outdoor temperature. A change in mean outdoor temperature of between 1-3 degrees Celsius could impact our energy-related operating costs by between $2.71 - $8.13million annually.

Changes in mean temperature could also shorten the life-span of HVAC systems resulting in more frequent capital expenditure on equipment upgrades/replacement.

Cost of response to risk

2,150,000

Description of response and explanation of cost calculation

BMO’s Sustainability Office 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,including setting objectives and GHG reduction targets that align BMO's operations with its Environmental Policy, and reporting on our progress. In 2020, we developed sustainable design and construction guidelines that include energy intensity performance specifications for office and retail construction and renovation projects. These guidelines reflect industry best practices developed by the U.S. and Canada Green Building Councils, the International WELL Building Institute and other organizations. By implementing elements of the Leadership in Energy and Environmental Design (LEED) and WELL standards, we increase the energy efficiency of our buildings.

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.

There is no additional cost/effort required to implement these response measures as this is a function of our current sustainability and risk management processes. In 2020, the amount invested in energy efficiency projects at BMO was about $2.15 million.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Emerging regulation

Carbon pricing mechanisms

Primary potential financial impact

Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification

Credit risk

Company-specific description

Climate-related risks could affect our exposure to credit and counterparty risk by impacting our customers' revenues, costs, or access to capital 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.

Time horizon
Medium-term

Likelihood
About as likely as not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure
The impact has not been quantified financially.

Cost of response to risk

Description of response and explanation of cost calculation
We implemented financing guidelines to address environmental risks for specific lines of business, and we apply enhanced due diligence to transactions with customers operating in higher risk sectors. Our Environmental & Social Risk Financing Guideline includes direction on how to develop an understanding of specific climate change impacts on the borrowers and its operations, including regulatory and/or legislative changes. This includes efforts to develop an understanding of borrowers' climate change adaptation & mitigation strategies.

We've conducted a sector-specific analysis across our lending portfolio to assess our exposure to climate sensitive industries. We've determined that our lending in support of carbon-related assets in 2020 was approximately $13.7 billion and represented 3.0% of our total lending portfolio, relative to 3.3% in 2019. We have also analyzed our power generation portfolio and determined that approximately 58% of lending is to low-carbon energy generation, relative to 55% in 2019. In 2020, BMO conducted scenario analyses on our commercial real estate, agriculture & metals & mining portfolios to explore climate vulnerabilities & enhance our resilience to climate-related risks. BMO's 2020 scenario analyses focused on our commercial real estate portfolio which represents $40.0 billion in lending, or 8.7% of our total lending portfolio; our agriculture portfolio which represents $13.5 billion in lending, or 2.9% of our total lending portfolio; and our metals and mining portfolio which represents $2.4 billion in lending, or 0.5% of our total lending portfolio.

We're building a climate scenario analysis program that will leverage existing stress testing capabilities while augmenting with climate-specific expertise. Learnings from previous pilots as well as evolving industry best practices will be used to inform this development work & expand analysis to other sectors in our portfolio. In 2020, we tested this approach on our commercial real estate & agriculture portfolios.

Climate scenario analysis is used to identify potential material financial & non-financial risks & to inform our business strategy related to climate change. The results of the scenario analysis are provided to the Sustainability Council, senior management committees & the board. Educating our leaders about potential climate outcomes enables them to incorporate these insights into their decision-making, improving the resilience of our long-term strategic plans

Comment

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Operational risk

Company-specific description

We face risks arising from environmental events, such as drought, floods, wildfires, earthquakes, and hurricanes and other storms. These events could potentially disrupt our operations, impact our customers and counterparties, and result in reduced earnings and higher losses. Factors contributing to heightened environmental risks include the impacts of climate change and continued intensification of development in areas of greater environmental sensitivity.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The impact has not been quantified financially.

Cost of response to risk

Description of response and explanation of cost calculation

Our business continuity management preparations provide us with the capability to restore, maintain and manage critical operations and processes in the event of a business disruption. In addition, we support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), and we employ the TCFD framework to enhance our understanding of the evolving impact of risks associated with climate change, together with possible mitigation strategies. We are building an internal capacity at BMO to conduct hazard analysis and generate insights on impact of climate change on physical assets the creation of a climate physical risk analytics platform , in line with the TCFD recommendations, and are expanding this program to evaluate both physical and transition risks across a selection of climate-sensitive portfolios. In 2020, BMO conducted scenario analyses on our commercial real estate, agriculture and metals and mining portfolios to explore climate vulnerabilities and enhance our resilience to climate-related risks. These efforts will help us to identify potential material financial risks and will inform our business strategy in relation to climate change going forward.

Additional costs related to climate related events is built into our Enterprise Risk management program.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Move to more efficient buildings

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

Changes in consumer preferences and emerging regulation (e.g. more efficient building codes, mandatory energy reporting) are likely to result in improved energy efficiency in the real estate sector over time. This presents BMO with an opportunity to reduce its operating costs and achieve its emission reduction targets to reduce Scope 1 and Scope 2 location-based greenhouse gas emissions by 30% by 2030 compared to the fiscal 2019 baseline. This target was set in 2021 using a science-based target methodology.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

14,000,000

Potential financial impact figure – maximum (currency)

18,000,000

Explanation of financial impact figure

We have estimated the financial impact of more efficient buildings based on our 2020 energy costs of $54.17 million and the reduction in energy consumption required to meet our Scope 1 and Scope 2 location-based emissions reduction target (30% by 2030 vs. a 2019 baseline). Assuming a 30 % emission reduction results in a 30% reduction in energy costs over the next 10 years, then the total estimated energy cost savings are $162.5 million over the same period. This equates to an annual energy-related cost savings of between $14 million and $18 million.

Cost to realize opportunity

2,150,000

Strategy to realize opportunity and explanation of cost calculation

BMO has developed sustainable design and construction guidelines that include energy intensity performance specifications for office and retail construction and renovation projects (for example, 1 watt per square foot for lighting). These guidelines reflect industry best practices developed by the U.S. and Canada Green Building Councils, the International WELL Building Institute and other organizations. By implementing elements of the LEED and WELL standards, we increase the energy efficiency of our buildings. We also maintain ISO 14001 certification and LEED certification at select facilities. These measures are expected to contribute to our current and future absolute emissions reduction goals.

Total costs associated with our ISO 14001 EMS certifications and third party verification of our carbon emissions are minimal, totaling less than $75K annually.

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

We recognize an opportunity to differentiate ourselves by developing innovative new products and business services that are related to climate change, and by accessing new markets with financial solutions that can assist our customers during their transition to a net zero carbon economy. In 2021, BMO established a new BMO Climate Institute

(BCI) which brings together science, analytics, expertise and partners to understand and manage the financial risks and opportunities related to climate change and transition for both clients and the bank. Our Sustainable Finance team is engaging with our customers to identify market opportunities for sustainable finance products and services across BMO. Leveraging BMO’s existing capabilities in sustainable finance and insights from the BCI, BMO will support our clients to advance sustainability objectives, including the transition to a net zero world, by mobilizing sustainable finance. BMO Capital Markets has underwritten significant amounts of sustainable debt and also created a dedicated advisory capability to support our clients in their work on sustainability, and are supported by the Sustainability Office, which guides the growth of our sustainable finance business by identifying opportunities for green lending activity, developing internal processes for tracking and monitoring these investments and leading the BCI.

In 2019, we published a Sustainable Financing Framework, 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 alignment with climate-related factors and the UN’s Sustainable Development Goals. Shortly after publishing the Sustainable Financing Framework, BMO issued its inaugural USD$500 million 3-year sustainability bond.

BMO's Purpose to “Boldly Grow the Good in Business and Life” includes a commitment to deploying $300 billion in capital to clients pursuing sustainable outcomes through green, social and sustainable lending, underwriting, advisory services, and investment by 2025.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The opportunity has not been quantified financially.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

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 & 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 & identifying market opportunities for products & 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 & monitoring BMO's sustainable finance strategy.

In 2019, BMO established a Sustainable Bond Program to support our Purpose & our sustainable finance commitment. This program confirms BMO's commitments to sustainability & sustainable finance, building on our ability to direct capital toward our strategic sustainability objectives & aligning those objectives with our fundraising & investor relations program. It has enabled a better understanding & assessment of impacts & opportunities related to sustainability across our organization, & has helped build relationships that will support an enterprise-wide focus on sustainability at BMO.

BMO's existing sustainable finance activities include green bond underwriting, advisory, investment, capital mobilization & lending, as well as innovative approaches to responsible investing taken by BMO GAM. In FY2020, BMO provided $45.7 billion in capital to companies pursuing sustainable objectives related to climate & the environment. For example, BMO provided Maple Leaf Foods Inc. with Canada's first sustainability-linked loan – a $1.92 billion credit facility that includes an interest rate margin reduction if the client achieves electricity use, water use & solid waste targets, & continues to reduce its carbon emissions to maintain net carbon neutrality. BMO also acted as lead manager for a European Investment Bank's (EIB) $500 million Climate Awareness Bond.

There is no additional cost required to realize this opportunity as it is part of BMO enterprise-wide strategy. At FY2020 year end, the operating costs of the Sustainability Office were the equivalent of 5 full-time equivalents (FTE) & the operating costs of the Sustainable Finance team were the equivalent of 5 FTE.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

We recognize an opportunity to differentiate ourselves by developing innovative new products and business services that are related to climate change and by offering financial solutions that can assist our customers during their transition to a low-carbon economy. These opportunities are being captured through innovative approaches to responsible investing taken by BMO Global Asset Management.

BMO's Purpose to “Boldly Grow the Good in Business and Life” includes a commitment to mobilize $700 billion in assets under advice through BMO GAM’s responsible engagement overlay (reo®) service and assets under management through BMO GAM’s Responsible strategies. This is complemented with products and advisory services to help clients chart a path to improved sustainability.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

As at March 31, 2021, BMO GAM had US$11.3 billion in assets under management in ESG designated and responsible labelled funds, as well as US$380 billion in third party assets under advice through our engagement service (reo®).

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

Responsible investment is core to the strategy of BMO GAM. The overall approach encompasses a wide range of ESG factors, but climate change has a particularly high profile in our integration, stewardship and public policy work. The strategy includes:

- Integrating financially material ESG risks, including climate change, into the investment analysis process
- Considering adverse impacts on ESG factors, including climate change, as part of the investment analysis process for mandates that accommodate this approach
- Offering investment products that allow investors to direct capital towards climate solutions and/or avoid carbon-intensive investments. These include the Responsible and Sustainable fund ranges, which exclusions related to companies' fossil fuel exposure; the Climate Opportunity Partners private equity fund, which is entirely invested in clean technology and green infrastructure; and green bond investments, which include two dedicated mandates for institutional investors.
- Implementing a comprehensive engagement and proxy voting approach aimed at encouraging investee companies to address climate risks
- Supporting public policy statements on climate change
- Taking a transparent approach, including the publication of portfolio-weighted carbon intensity data for selected fund strategies

There is no additional cost required to realize this opportunity because it is already part of BMO Global Asset Management's mandate.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes

C3.1b

(C3.1b) Does your organization intend to publish a low-carbon transition plan in the next two years?

	Intention to publish a low-carbon transition plan	Intention to include the transition plan as a scheduled resolution item at Annual General Meetings (AGMs)	Comment
Row 1	Yes, in the next two years	No, we do not intend to include it as a scheduled AGM resolution item	In March 2021, BMO announced its climate ambition to be our clients' lead partner in the transition to a net zero world. BMO's climate ambition is our strategy to address climate-related risks and opportunities, consider climate-related issues when reviewing strategic objectives and measure and report our progress against goals and targets. Mapping a clear path to net zero, BMO is taking the following steps: – Setting a new target to reduce operational greenhouse gas emissions by 30% by 2030 versus a 2019 baseline using science-based approaches – Targeting net zero financed emissions in our lending by 2050 and committing to establishing intermediate (2030) and longer-term (2050) targets for financed emissions reduction in partnership with our clients. BMO will report on progress annually beginning in 2021. – Quantifying and disclosing financed emissions data leveraging the PCAF approach. – By signing the Principles for Responsible Banking, committing to align our business strategy with the UN Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, quantitative

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
REMIND	BMO is establishing a climate scenario analysis program, in line with the TCFD recommendations. In 2020, we tested an approach to climate risk stress-testing that is consistent with our broader risk management approach, evaluating the potential impact on credit losses on our commercial real estate, agriculture, and metals and mining portfolios. For our metals and mining portfolio we applied the REMIND (Regional Model of Investment and Development) coupled with the MAgPIE (Model of Agriculture Production and Its Impacts on the Environment) integrated assessment framework. We evaluated two immediate action scenarios – a 2C scenario in which collective action is taken now to reduce emissions towards a 2C target, and a 1.5C scenario in which immediate action is taken now to reduction emissions towards a 1.5C target. Our metals and mining portfolio represents $2.4 billion in lending, or 0.5% of our total lending portfolio. The time horizons considered in the scenario analysis were short-term (2021immediate), medium-term (2030) and long-term (2040+). The short-term time horizon was selected because it provided an analysis of the highest area of risk in the portfolio given the tenor of our loans. The long-term scenario was selected because the longer term climate impacts expected within this period could inform our current business planning. We are building a climate scenario analysis program that will leverage existing stress testing capabilities while augmenting with climate-specific expertise. Learnings from previous pilots as well as evolving industry best practices will be used to inform this development work and expand analysis to other sectors in our portfolio. In 2020, we tested this approach on our commercial real estate and agriculture portfolios. Climate scenario analysis is used to identify potential material financial and non-financial risks and to inform our business strategy related to climate change. The results of the scenario analysis are provided to the Sustainability Council, senior management committees and the board. Educating our leaders about potential climate outcomes enables them to incorporate these insights into their decision-making, improving the resilience of our long-term strategic plans.

Climate-related scenarios and models applied	Details
RCP 8.5	BMO is establishing a climate scenario analysis program, in line with the TCFD recommendations. In 2020, we tested an approach to climate risk stress-testing that is consistent with our broader risk management approach, evaluating the potential impact on credit losses on our commercial real estate, agriculture, and metals and mining portfolios. For our commercial real estate and agriculture portfolios, we evaluated three reference scenarios – an orderly transition (2C, RCP 8.5) in which climate policies are introduced early and become gradually more stringent, net zero carbon emissions is achieved before 2070, and we have 67% chance of limiting global warming to 2C; a disorderly transition (2C, RCP 8.5) in which climate policies are introduced beginning in 2030, sharper emission reductions are needed to reach net zero carbon emissions by 2070; and a hothouse world scenario (3C+, RCP8.5) in which currently implemented policies are preserved, emissions grow until 2080 leading to global warming of 3C or more, and irreversible climate changes occur. Our commercial real estate portfolio represents $40.0 billion in lending, or 8.7% of our total lending portfolio; and our agriculture portfolio represents $13.5 billion in lending, or 2.9% of our total lending portfolio. The time horizons considered in the scenario analysis were short-term (immediate), medium-term (2030) and long-term (2040+). The short-term time horizon was selected because it provided an analysis of the highest area of risk in the portfolio given the tenor of our loans. The long-term scenario was selected because the longer term climate impacts expected within this period could inform our current business planning. We are building a climate scenario analysis program that will leverage existing stress testing capabilities while augmenting with climate-specific expertise. Learnings from previous pilots as well as evolving industry best practices will be used to inform this development work and expand analysis to other sectors in our portfolio. In 2020, we tested this approach on our commercial real estate and agriculture portfolios. Climate scenario analysis is used to identify potential material financial and non-financial risks and to inform our business strategy related to climate change. The results of the scenario analysis are provided to the Sustainability Council, senior management committees and the board. Educating our leaders about potential climate outcomes enables them to incorporate these insights into their decision-making, improving the resilience of our long-term strategic plans.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	We recognize an opportunity to differentiate ourselves by developing new, innovative products & business services that are related to climate change, and by accessing new & emerging markets with financial solutions that can assist our customers during their transition to a net zero economy. In 2021, BMO established a new BMO Climate Institute(BCI) which brings together science, analytics, expertise, and partners to understand & manage the financial risks & opportunities related to climate change & transition for both clients and the bank. Our Sustainable Finance team is engaging with our customers to identify market opportunities for sustainable finance products/ services across BMO, Leveraging BMO's existing capabilities in sustainable finance & insights from the BCI, BMO will support our clients to advance sustainability objectives, including the transition to a net zero world, by mobilizing sustainable finance. BMO Capital Markets has underwritten significant amounts of sustainable debt & created a dedicated advisory capability to support our clients sustainability work, and re supported by the Sustainability Office, which guides the growth of our sustainable finance business by identifying opportunities for green lending activity, developing internal processes for tracking & monitoring these investments & leading the BCI. BMO's Purpose to "Boldly Grow the Good in Business and Life" includes a commitment to deploying $300 billion in capital to clients pursuing sustainable outcomes through green, social & sustainable lending, underwriting, advisory services, &investment by 2025. The time horizon is short-term because it's happening currently, & long-term because we expect the activities to continue into the foreseeable future. Case Study: A strategic decision was the announcement of BMO's climate ambition – our strategy to address climate-related risks & opportunities, consider climate-related issues when reviewing strategic objectives & measure & report our progress against goals & targets. As part of this strategy, we are standing up the BCI, and doubling BMO's previous sustainable finance commitment. This program confirms BMO's commitments to sustainability & sustainable finance, building on our ability to direct capital toward our strategic sustainability objectives & support our clients to meet their sustainability objectives aligned to global goals.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Supply chain and/or value chain	Yes	The transition to a lower carbon economy may pose policy, technology and reputational risks to BMO's downstream value chain such as clients in carbon-intensive industries. BMO is establishing a climate scenario analysis program, in line with the TCFD recommendations to evaluate this risk. Climate-related risks may have an impact on our supply chain. 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. New processes are being developed in F20 and will continue to be rolled out in F21, including participation in the CDP Supply Chain program and using environmental and social risk data tools to enhance our monitoring of environmental and social risk issues affecting our supply chain. The time horizon is short-term because it's happening currently, and long-term because we expect the activities to continue into the foreseeable future. Case Study: A strategic decision made in this area was establishing BMO's scenario analysis program. In 2020, we tested an approach to climate risk stress-testing that is consistent with our broader risk management approach, evaluating the potential impact on credit losses on our commercial real estate, agriculture, and metals and mining portfolios. BMO's commercial real estate portfolio which represents $40.0 billion in lending, or 8.7% of our total lending portfolio; our agriculture portfolio which represents $13.5 billion in lending, or 2.9% of our total lending portfolio; and our metals and mining portfolio which represents $2.4 billion in lending, or 0.5% of our total lending portfolio. We considered short-term (immediate), medium-term (2030) and long-term (2040+) time horizons and referenced the RCP 8.5 scenario and the REMIND model. We plan to consolidate learnings from these pilots to expand such analysis to other sectors and risk types in order to identify potential material financial risks and to inform our business strategy related to climate change.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Investment in R&D	Yes	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 numerous 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. As a global leader, and through the BMO Climate Institute, BMO will leverage this knowledge and expertise to benefit our clients. We will provide thought leadership at the intersection of climate adaptation and finance, allowing us to be the premier advisor to clients and partners on climate risk and opportunity. The Climate Institute will also bring together industry, government, academia and investors to unlock solutions that advance climate transition and enhance resilience. The time horizon is short-term because it's happening currently, and long-term because we expect the activities to continue into the foreseeable future. Case Study:| A strategic decision made in this area was creating the BMO Climate Institute (BCI). The BCI brings together science, analytics, expertise and partners to understand and manage the financial risks and opportunities related to climate change and transition for both clients and the bank. Unique to the BCI, we are investing in building a new climate analytics platform built by BMO's Sustainability team and BMO Enterprise Artificial Intelligence (AI) Labs with external partners. Leveraging geospatial data and leading scientific modelling, the platform will generate actionable insights on the impacts of climate change on physical assets.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Operations	Yes	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 developed sustainable design and construction guidelines that include energy intensity performance specifications for office and retail construction and renovation projects (for example, 1 watt per square foot for lighting). These guidelines reflect industry best practices developed by the U.S. and Canada Green Building Councils, the International WELL Building Institute and other organizations. By implementing elements of the LEED and WELL standards, we increase the energy efficiency of our buildings. We also maintain ISO 14001 certification and LEED certification at select facilities. In 2021, BMO set a new target to reduce operational greenhouse gas emissions by 30% by 2030 versus a 2019 baseline using science-based approaches. This builds on BMO's carbon neutral operations, which we have maintained each year since 2010, and matching 100% of global electricity use with renewable energy purchases, which we first achieved in 2020. The time horizon is short-term because it's happening currently, and long-term because we expect the activities to continue into the foreseeable future. Case Study: A strategic decision made in this area was announcing a new target to reduce operational greenhouse gas emissions by 30% by 2030 versus a 2019 baseline. This commitment enhances our operational sustainability which includes maintaining carbon neutrality in global operations since 2010 and using 100% renewable electricity inglobal operations.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Indirect costs Capital expenditures Access to capital Assets Liabilities	Revenues BMO offers products and financing solutions to assist customers during the transition to a net zero carbon economy. This includes underwriting sustainable finance transactions (e.g. green bonds, social bonds and sustainability bonds), offering advisory services, providing capital, and offering a range of responsible investing funds at BMO Global Asset Management. In 2019, BMO made a commitment to mobilize $400 billion for sustainable finance by 2025 includes lending, underwriting and investing $150 billion in companies pursuing sustainable outcomes, and aligning $250 billion in client investments to sustainable objectives. In 2020, we made remarkable progress toward these goals, achieving 71% of our $150 billion goal and surpassing our $250 billion target. In March 2021, BMO more than doubled this commitment which includes deploying $300 billion in capital to clients pursuing sustainable outcomes through green, social and sustainable lending, underwriting, advisory services, and investment by 2025. The growth of products in this segment and potential increase in revenues is factored into the financial planning process. The time horizon covered in the financial planning process is long-term. Indirect costs Climate-related physical and transition risks could increase our indirect costs. For example, changes in climate patterns and climate-related 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. These costs are factored into the financial planning process Capital expenditures The costs related to investment in energy efficiency initiatives for our operations are factored into the financial planning process. For example, in 2020 about $3.9MM was invested in energy efficiency projects at BMO. Physical changes to the climate and weather patterns can also affect the useful life of equipment such as HVAC. If the life-span of HVAC equipment is negatively impacted, we will modify our capital forecasting. Access to capital Our activity in the green and sustainable bond markets provide access to capital for projects that are environmentally sustainable. 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. In October 2019, BMO issued its inaugural USD$500 million 3-year sustainability bond. The bond was focused on several of the 17 SDGs, for example, SDG 7 (Affordable and Clean Energy), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 15 (Life on Land). Assets Climate-related risks can have an impact on our lending portfolio. We have conducted a sector-specific analysis across our lending portfolio to assess our exposure to climate sensitive industries. We have determined that our lending in support of carbon-related assets in 2020 was approximately $13.7 billion and represented 3.0% of our total lending portfolio, relative to 3.3% in 2019. We have also analyzed our power generation portfolio and determined that approximately 58% of lending is to low-carbon energy generation, relative to 55% in 2019.

	Financial planning elements that have been influenced	Description of influence
		Liabilities Climate-related risks could affect our exposure to credit and counterparty risk by impacting our customers' revenues, costs, or access to capital 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. Our Environmental and Social Risk Financing Guideline includes direction on how to develop an understanding of specific climate change impacts on the borrower and its operations, including regulatory and/or legislative changes. This includes efforts to develop an understanding of borrowers' climate change adaptation and mitigation strategies. BMO has been a signatory to the Equator Principles since 2005 and applies its credit risk management framework to transactions within its scope.

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

C-FS3.6a

(C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy Other, please specify Financing Guidelines	Majority of the portfolio	Climate-related risks could affect our exposure to credit and counterparty risk by impacting our customers' revenues, costs, or access to capital 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. Our Environmental and Social Risk Financing Guideline includes direction on how to develop an understanding of specific climate change impacts on the borrower and its operations, including regulatory and/or legislative changes. This includes efforts to develop an understanding of borrowers' climate change adaptation and mitigation strategies. For example, our internal Environmental and Social Issues Financing Guideline includes direction to develop an understanding of specific climate change impacts on the borrower and its operations, including regulatory and/or legislation changes. This guidance applies to the majority of the lending portfolio based on the total amount outstanding. In 2020, the credit risk process at BMO was enhanced to more effectively identify, assess and manage environmental & social risk. We developed sector specific guidance and launched a new Environmental & Social Risk Rating (ESRR) Assessment Tool. The purpose of the ESRR is to help identify higher risk business activities and determine the level of a company's engagement on sustainability issues. If higher risk business activities are identified through the ESRR, then a new Enhanced Due Diligence (EDD) process must be completed. The objective of the EDD is to determine whether the environmental & social risk related to a lending decision is acceptable. The credit risk process has already been enhanced for the Petroleum and Mining sectors, and we plan to enhance the processes for other sectors as well.

	Type of policy	Portfolio coverage of policy	Description
Investing (Asset manager)	Engagement policy Sustainable/Responsible Investment Policy Investment policy/strategy Proxy voting policy	All of the portfolio	Climate change forms part of the following policy documents: – BMO Climate Change Approach: This sets out our full range of activities on climate change, structured according to TCFD guidance. – Responsible Investment Approach: This sets out our overall approach to RI and includes a reference to climate change, particularly in the context of engagement. – Corporate Governance Guidelines: This explains how climate change issues are systematically incorporated into proxy voting. We identify laggards and companies resistant to engagement, and will consider voting against management resolutions in these cases. – Climate Change Engagement: A Framework for the Future: This sets out our engagement approach, including our expectation that investee companies should align their businesses with the Paris agreement. – BMO Responsible Funds and the transition to a low-carbon economy: This provides our policy on climate change specifically in relation to our ethically-screened funds. (https://bmogamviewpoints.com/wp-content/uploads/2017/05/Responsible-Investing-Perspectives-Transition-to-low-carbon-global-economy-May-2017.pdf) Some of these criteria have been further tightened since the original paper in 2017. The portfolio coverage of the policies is based on the assets under management (AUM). Some policies are only applicable for certain asset classes. For instance, our proxy voting policies apply to listed equities only, as this is where we exercise voting power. The policy documents are available online at: https://www.bmogam.com/gb-en/institutional/institutional-capabilities/responsible-investing/
Other products and services, please specify			

C-FS3.6b

(C-FS3.6b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Type of exclusion policy	Portfolio	Application	Description
Coal	Bank lending	New business/investment for new projects	Higher risk sectors and activities are subject to enhanced due diligence, escalations and exception processes. Restrictions are in place for extending credit for transactions that involve thermal coal through BMO's Commercial Banking and Corporate Banking lines of business. BMO will not provide financing as a lender where proceeds are known to be primarily used to develop a new greenfield coal-fired power plant, thermal coal mine or significant expansion of such plants or mines. Coal-fired power plants utilizing carbon capture and sequestration technology will be considered on a case-by-case basis.
Coal	Bank lending	New business/investment for existing projects	BMO will not lend to new clients that operate significant thermal coal mining (>60% revenue) or coal power generation assets (>60% output, Megawatt hour (MWh)). BMO may lend to new clients that operate some thermal coal mining (≤ 60% revenue) and coal power generation assets (≤60% output, MWh) if the client can provide satisfactory evidence that they are reducing or have defined plans to reduce their use of thermal coal (e.g. diversifying, retiring assets), and/ or their greenhouse gas (GHG) emissions and/or converting to high-efficiency, low emissions (HELE) or other technologies that lower GHG emissions.
Coal		Existing business/investment for existing projects	For existing clients that operate thermal coal mining or coal power generation assets, BMO will continue to support our clients in their transition to lower carbon emissions to achieve net zero aligned goals. BMO will proactively seek opportunities to support our clients' GHG reduction strategies and their management of the risks and opportunities related to a low carbon transition.
Other, please specify	Bank lending	Other, please specify	It is the bank's intention to avoid direct financing for any project or transaction that involves exploration or development in the Arctic National Wildlife Refuge (ANWR). Restrictions are in place for lending to business activity affecting UNESCO World Heritage Sites or High Conservation Value Forests.
All fossil fuels	Investing (Asset manager)	Other, please specify Specialist ESG funds: Responsible and Sustainable fund range	Our ethically-screened Responsible Fund Range excludes all companies with fossil fuel reserves, as well as electric utilities with coal-fired power unless there is a phase-out commitment. Full details can be found in the document "BMO Responsible Funds and the transition to a low-carbon economy". Exclusions also apply to other ESG strategies including our sustainable fund and multi-asset strategies, which also do not invest in companies with fossil fuel reserves.

C-FS3.7

(C-FS3.7) Are climate-related issues factored into your external asset manager selection process?

Yes, for some assets managed externally

C-FS3.7a

(C-FS3.7a) How are climate-related issues factored into your external asset manager selection process?

	Process for factoring climate-related issues into external asset management selection	Comment
Row 1	Review asset manager's climate-related policies Preference for asset managers with an offering of low-carbon products Preference for asset managers with an offering of climate-resilient products Assessment of asset manager's climate-related performance (e.g. active ownership, proxy voting records, under-weighting in high impact activities) Use of external data on asset managers regarding climate-related risk management	We run some multi-manager strategies which use third-party fund managers. ESG considerations, including climate change, form part of the due diligence, selection and monitoring processes for these managers. The process used varies to some extent between different jurisdictions, dependent on local client demand. All manager selection processes have a formal ESG component, covering all relevant ESG factors including climate change. The main tools used are manager questionnaires, and in some cases third-party ESG fund ratings. These questionnaires typically cover both the policies of the institution as a whole, as well as the specific fund being considered.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2021

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Base year

2019

Covered emissions in base year (metric tons CO2e)

136,129

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)

30

Covered emissions in target year (metric tons CO2e) [auto-calculated]

95,290.3

Covered emissions in reporting year (metric tons CO2e)

94,282

% of target achieved [auto-calculated]

102.4689816277

Target status in reporting year

Underway

Is this a science-based target?

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

In 2021, we set a new target to reduce operational greenhouse gas emissions by 30% by 2030 versus a 2019 baseline using science-based approaches (Absolute Contraction), building on BMO's Carbon Neutral operations (since 2010) and matching 100% of global electricity use with renewable energy purchases (since 2020).
Although "% of target achieved" is over 100, we have marked target status as "underway" because we have not yet reached target year end of 2030.
Note that due to COVID, many of our buildings were not occupied and hence emissions in the reporting year were lower than they would have been during "normal" operations.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production
Other climate-related target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number
Low 1

Year target was set
2019

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: energy carrier
Electricity

Target type: activity
Consumption

Target type: energy source
Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)
Percentage

Target denominator (intensity targets only)

Base year
2020

Figure or percentage in base year
100

Target year
2020

Figure or percentage in target year

326,446

Figure or percentage in reporting year

326,446

% of target achieved [auto-calculated]

100

Target status in reporting year

Achieved

Is this target part of an emissions target?

No

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

In 2019, BMO set a target to match 100% of its FY2020 electricity usage with electricity produced from renewable sources across our global operations.

This contributes to our overarching initiative to maintain carbon neutrality on an annual basis.

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2017

Target coverage

Company-wide

Target type: absolute or intensity

Intensity

Target type: category & Metric (target numerator if reporting an intensity target)

Resource consumption or efficiency

Other, please specify

cubic meters of water consumption

Target denominator (intensity targets only)

square meter

Base year

2016

Figure or percentage in base year

0.7447

Target year

2021

Figure or percentage in target year

0.6852

Figure or percentage in reporting year

0.4129

% of target achieved [auto-calculated]

557.6470588235

Target status in reporting year

Underway

Is this target part of an emissions target?

No

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

In 2017, we set a target to reduce water use intensity (m3 water consumption / m2 real estate floor area) 8% by 2021 compared to the fiscal 2016 baseline.
Although "% of target achieved" is over 100, we have marked target status as "underway" because we have not yet reached our target year end of 2021.
Note that due to COVID, many of our buildings were not occupied and hence our water use in the reporting year is lower than it would have been in "normal" operations.

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*	536	4,973.4
Implementation commenced*		
Implemented*	146	1,596.09
Not to be implemented		

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

1,279.51

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

292,728

Investment required (unit currency – as specified in C0.4)

1,321,875

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

This program includes lighting efficiency initiatives (LEDs) at select retail branches in Canada and US. This is part of the ongoing program and voluntary activity focusing on energy retrofits to reduce Scope 1 and Scope 2 emissions.

Initiative category & Initiative type

Energy efficiency in buildings

Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

80.94

Scope(s)

Scope 1
Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

18,683

Investment required (unit currency – as specified in C0.4)

703,699

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

The program includes the replacement of inefficient HVAC equipment at select retail branches in Canada and the US. The "Investment required" that is shown above is the full cost which includes what is considered "business as usual" investment, plus the cost premium for higher efficiency units. This is part of the ongoing program and voluntary activity focusing on energy retrofits to reduce Scope 1 and Scope 2 emissions.

Initiative category & Initiative type

Energy efficiency in buildings

Other, please specify

Installation of "smart" sensors and controllers on mechanical equipment to enhance operational efficiency.

Estimated annual CO2e savings (metric tonnes CO2e)

158.84

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

24,429

Investment required (unit currency – as specified in C0.4)

102,456

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

This program includes the installation of sensors and controllers and implementation of a web-based program to help control equipment not typically controlled in small retail environments. The solution was implemented at 25 locations in 2020. This is part of the ongoing program and voluntary activity focusing on energy retrofits to reduce Scope 1 and Scope 2 emissions.

Initiative category & Initiative type

Energy efficiency in buildings

Other, please specify

Retail Thermostat Program

Estimated annual CO2e savings (metric tonnes CO2e)

76.8

Scope(s)

Scope 1
Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

15,613

Investment required (unit currency – as specified in C0.4)

21,589

Payback period

1-3 years

Estimated lifetime of the initiative

11-15 years

Comment

This program includes the installation of advanced technology type programmable thermostats to help control equipment that is not typically controlled in small retail environments. The solution was implemented at 17 locations in 2020. This is part of the ongoing program and voluntary activity focusing on energy retrofits to reduce Scope 1 and Scope 2 emissions.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	Annually, we set aside a specified capital amount, which is used to fund energy efficiency activities across the enterprise.
Dedicated budget for other emissions reduction activities	As an organization committed to carbon neutrality (achieved in 2010), we recognize that achieving this goal annually is dependent on funding other emission reduction activities such as the purchase of renewable energy and carbon offsets. BMO specifically budgets for these expenditures on an annual basis.
Employee engagement	Employee engagement continues to be a key element in our overall strategy to reduce emissions across the organization. Our Environmental Ambassadors (employee volunteers) act as champions in the field to promote our sustainability efforts. Our employees participate in driving down emissions by promoting behavioural change and also provide ideas to the Sustainability Office for deployment consideration on a broader basis. BMO invests annually in internal communication support media (e.g. intranet, newsletters, etc.) to support employee engagement efforts.
Financial optimization calculations	As an organization (financial institution) with access to capital, we have the opportunity to move beyond normal capital restrictions where there is a positive impact from a "cash flow" perspective on the annual expense line. We regularly assess initiatives using this cash flow basis or life-cycle approach which allows for extended ROI projects to be approved.
Internal price on carbon	Since 2008, BMO has been monetizing the value of carbon emissions savings (based on an internally established price of carbon) including energy cost savings and other benefits as part of wider energy-related initiatives and business cases.
Lower return on investment (ROI) specification	There are a variety of means by which we determine whether emissions reductions initiatives receive funding. While not the only reason, ROI specification is one of them. We do look at extended ROI for owned assets, particularly in the case of real estate assets where there is an expectation that we will occupy beyond the short term.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

ESG Specialist Strategies Funds

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify

Internal Methodology

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

4

Asset classes/ product types

Investing

Other, please specify

Private Equity, Mutual funds

Comment

Our specialist ESG products include:

1) BMO Sustainable Opportunities Funds: This is a socially responsible investment (SRI) fund range that aims to provide long-term growth of capital by investing in a globally diversified portfolio of equity securities that excludes companies primarily involved in the development and infrastructure of fossil fuels.

2) BMO SDG Engagement Global Equity Fund: For each company in the BMO SDG Engagement Global Equity Fund portfolio, we monitor and measure the impact of our dialogue around pre-defined SDG targets. We want to see improvement and continually assess the progress each company is making.

3) BMO Responsible Funds: This fund range has a range of ethical exclusions, including the exclusion of companies with fossil fuel reserves.

4) Private Equity Fund: BMO runs the Climate Opportunity Partners LP, a private equity fund of funds focusing on a climate change investment theme. This fund

gave investors access to investment opportunities arising from global efforts to tackle the causes and impacts of climate change.

5) Engagement Service: BMO engages with investee companies to encourage management and disclosure on climate change, as part of a wider engagement approach encompassing the full range of ESG issues. This engagement is also available through BMO's engagement service, the Responsible Engagement Overlay (reo®), which allows institutional investors to delegate responsibility to BMO for engagement and/or proxy voting. Climate change is a major part of the engagement we deliver through this service to these clients, including participation in the Climate Action 100+ initiative.

The ESG products represent 3.64% of the total portfolio based on assets under management (AUM) as at March 31, 2021. Additionally, BMO Global Asset Management (GAM) has third-party assets under advice of US$380bn through its engagement service as at March 31, 2021.

Level of aggregation

Product

Description of product/Group of products

Sustainable Finance Products

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify

Green Bond Principles (ICMA) and BMO's unique taxonomy/sustainable finance methodology

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Investing

Fixed Income

Comment

In FY2020, BMO mobilized $80.2 billion in capital to clients pursuing sustainable outcomes. This included $42.7 billion in sustainable bond underwriting; $5.3 billion in sustainable finance advisory; $0.4 billion in sustainable investments; $23.6 billion in capital mobilized for sustainable clients and projects; and $8.2 billion in lending authorized for sustainable clients and projects. Since 2019, we have provided $45.7 billion in capital to companies pursuing sustainable objectives related to climate and the environment.

Examples include:

- BMO provided Maple Leaf Foods Inc. with Canada's first sustainability-linked loan. This $1.92 billion credit facility includes an interest rate margin reduction if Maple Leaf Foods achieves predetermined sustainability targets related to reducing its electricity use, water use and solid waste, and continues to reduce its carbon emissions to maintain net carbon neutrality. B.
- Acted as lead manager on the European Investment Bank's (EIB) $500 million Climate Awareness Bond.
- Acted as lead-left bookrunner on Granite REIT Holdings Limited Partnership's inaugural green bond offering – a $500 million, seven-year senior unsecured fixed-rate debenture.
- Acted as joint bookrunner on a $350 million, seven-year senior unsecured fixed-rate debenture (and inaugural green bond) offering for RioCan Real Estate Investment Trust.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

November 1, 2018

Base year end

October 31, 2019

Base year emissions (metric tons CO2e)

45,672

Comment

Scope 2 (location-based)

Base year start

November 1, 2018

Base year end

October 31, 2019

Base year emissions (metric tons CO2e)

90,457

Comment

Scope 2 (market-based)

Base year start

November 1, 2018

Base year end

October 31, 2019

Base year emissions (metric tons CO2e)

544

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization’s gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

31,621

Comment

C6.2

(C6.2) Describe your organization’s approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization’s gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

62,661

Scope 2, market-based (if applicable)

242

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization’s gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, not yet calculated

Please explain

For this question, we have determined those scope 3 categories that are relevant to ensure that BMO's GHG inventory appropriately reflects the emissions of the company, and serves the decision-making needs of users, both internal and external to the company.

We asses relevance based on the criteria in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development.

Criteria for determining the relevance of scope 3 emissions include:

a) size of the emissions;
b) our ability to influence emissions reductions;
c) extent to which the emissions contribute to our company's risk exposure;
d) if the emissions are deemed critical by key stakeholders;
e) extent to which outsourced activities contribute to our emissions; and
f) any specific sector guidance available.

BMO Financial Group's Scope 3 emissions resulting from our purchase of goods and services are deemed relevant from a size perspective, as they have the potential to contribute significantly to the company's total scope 3 emissions. Purchased goods and services include:

- technology/telecommunications equipment (personal computers, servers, copiers, printers, routers, switches, etc.),
- office supplies (e.g. pens, paper, etc.), - furniture and fixtures for premises (desks, chairs, lighting, building materials, etc.),
- consulting services as provided by third parties and,
- marketing and advertising materials.

  The primary reason BMO Financial Group has not focused on the specific measurement of emissions related to its supply chain is due to the lack of available source data, but we plan to work with our suppliers in the upcoming year to both assess the nature of and quantify Scope 3 emissions in this category. In fact, we joined the CDP Supply Chain Program in FY2020 to catalyze this process.

Since early 2008 we have employed a Sustainable Procurement questionnaire as part our competitive bid process (supply chain focus) and have scored the results to these questions as part of overall decision process. While this process does not provide results that would allow us to quantitatively answer this question, it has proved beneficial in affecting supplier behaviour for a number of our key relationships

Capital goods

Evaluation status

Not relevant, explanation provided

Please explain

This is not relevant to BMO as our ongoing strategy is to lease facilities space and transportation equipment for use in our operations whenever possible. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Please explain

This scope 3 emission source represents upstream emissions of purchased electricity and the associated transmission and distribution losses. We do not consider this relevant for BMO as we have limited ability to influence.

Upstream transportation and distribution

Evaluation status

Relevant, not yet calculated

Please explain

BMO Financial Group's scope 3 emissions resulting from upstream transportation and distribution are deemed relevant from a size perspective, as they have the potential to contribute significantly to the company’s total scope 3 emissions. Emissions from the transportation and distribution of products purchased by BMO, between tier 1 suppliers and our own operations (in vehicles and facilities not owned or controlled by BMO) are relevant. We have not attempted to quantify these emissions to date. Emissions from the transportation and distribution services purchased by BMO related to outbound logistics of sold products (in vehicles and facilities not owned or controlled by the reporting company) are relevant. BMO Financial Group distributes product information to customers and shareholder information to shareholders. Doing so may result in transportation emissions relating to the delivery of paper statements, Annual Reports, Corporate Responsibility Reports and other paper correspondence. The lack of readily available information is the prime reason we do not currently measure/report on emissions from this source.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

676

Emissions calculation methodology

Scope 3 emissions from waste generated in operations is focused on waste-to-landfill data for relatively larger corporate facilities. Per GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, average-data method is used for calculating emissions from waste generated in operations. The average-data method involves estimating emissions based on total waste going to each disposal method (e.g., landfill) and average emission factors for each disposal method. The waste-to-landfill data is annualized and the resulting emissions are calculated. The mixed Municipal Solid Waste factor incorporates all emissions associated with transporting the waste, dumping it in a landfill, degrading and releasing methane as it decomposes in anaerobic conditions, and finally the residual biogenic carbon "credit" for the biogenic carbon that gets stored in the landfill long term.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

22.4

Please explain

BMO Financial Group's Scope 3 emissions resulting from waste generated in operations are deemed relevant from a strategic perspective, as they contribute to the company’s total scope 3 emissions. The percentage noted relates to the data available for large facilities (floor area of facilities where waste data is available as a percentage of enterprise facilities floor area). A significant number of our facilities are smaller in size and geographically dispersed across North America. It is not economical to gather waste information from these locations and our focus is therefore on those larger facilities which are either owned or, if leased, where we are a major tenant.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

7,778

Emissions calculation methodology

Scope 3 emissions from business travel consist primarily of Air Travel (Short-Haul, Medium-Haul and Long-Haul), Employee Vehicles, Rail Travel, and Rental Cars. Per GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, the distance-based method is used for calculating emissions from business travel. The distance-based method involves determining the distance and mode of business trips, then applying the appropriate emission factor for the mode used. We identify and calculate our Scope 3 emissions in accordance with both the (a) The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard and (b) ISO 14064 Part 1: Greenhouse gases.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

BMO Financial Group's Scope 3 emissions resulting from business travel are deemed relevant from a size perspective, as they contribute significantly to the company's total scope 3 emissions. We obtain primary data for the types of employee business travel noted (commercial air, rental cars, personal automobile and rail). Due to the lack of readily available data for ground transportation such as taxis, limousines and public transit, these emissions are not included in our inventory.

Employee commuting

Evaluation status

Relevant, not yet calculated

Please explain

BMO Financial Group's Scope 3 emissions resulting from employee commuting are deemed relevant from a size perspective, as they would contribute to the company's total Scope 3 emissions. Emissions from approximately 43,360 employees commuting between their homes and BMO Financial Group workplaces are relevant. The lack of readily available information about their commuting modes and travel distances is the prime reason we do not currently calculate/report on emissions from this source.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

With the shift to Operational control starting fiscal 2017, emissions from leased assets are now accounted for in Scope 1 and Scope 2. Defensible and transparent consumption estimates are utilized for leasehold facilities where actual data is not available. Consumption estimates are calculated based on type of facility, and either a proxy for intensity per square foot where sufficient sample of similar facilities (with actual data) available, or based on published intensities for facility type by sub-region (state/province) or region (country) as applicable.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Not relevant as this Scope 3 activity source includes only emissions from transportation and distribution of products after the point of sale – not applicable to BMO. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

As a financial institution, our products are financial services as opposed to tangible goods and therefore this Scope 3 source is not relevant. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

As a financial institution, our products are financial services as opposed to tangible goods. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

As a financial institution, our products are financial services as opposed to tangible goods. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Please explain

Any assets that BMO owns and leases to third parties are included in our Scope 1 and Scope 2 reported numbers. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Franchises

Evaluation status
Not relevant, explanation provided

Please explain
BMO Financial Group does not engage in franchise activity. We have determined that none of the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Other (upstream)

Evaluation status
Not relevant, explanation provided

Please explain
We have determined that no additional upstream Scope 3 emissions are relevant to BMO using the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

Other (downstream)

Evaluation status
Not relevant, explanation provided

Please explain
We have determined that no additional downstream Scope 3 emissions are relevant to BMO using the criteria noted in Table 6.1 of "The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard", developed by the World Resources Institute and the World Business Council for Sustainable Development, have been met in for this Scope 3 category.

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.0000037434

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
94,282

Metric denominator

unit total revenue

Metric denominator: Unit total

25,186,000,000

Scope 2 figure used

Location-based

% change from previous year

29.92

Direction of change

Decreased

Reason for change

The total revenue during the reporting year (FY2020) and previous year (FY2019) were 25,186 and 25,483 million CAD, respectively. This equates to a total revenue decrease of 1.17% in FY2020 versus FY2019.

The combined gross Scope 1 and Scope 2 location-based emissions for the reporting year (FY2020) and previous year (FY2019) were 94,282 and 136,129 tCO2e, respectively. This equates to a combined gross Scope 1 and Scope 2 location-based emissions decrease of 30.74% in FY2020 vs. FY2019.

Scope 1 and Scope 2 location-based emissions per total revenue decreased from 0.0000053419 to 0.0000037434 or by 29.92% over the same period.

Decrease in emissions was due to energy reduction initiatives that included both capital investment upgrades and operational efficiency improvements. In addition, the occupancy of our buildings decreased as many employees worked from home during the COVID pandemic, which contributed to a reduction in energy use and the resulting emissions.

While this information has been provided, as requested, we do not believe that this is the most relevant indicator, due to the weak correlation between emissions and revenue for our industry.

Intensity figure

2.17

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

94,282

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

43,360

Scope 2 figure used

Location-based

% change from previous year

27.42

Direction of change

Decreased

Reason for change

The full-time equivalent employees (FTE) during the reporting year (FY2020) and last year (FY2019) were 43,360 and 45,513, respectively. This equates to a total FTE decrease of 4.73% in FY2020 vs. FY2019.

The combined gross Scope 1 and Scope 2 location-based emissions for the reporting year (FY2020) and previous year (FY2019) were 94,282 and 136,129 tCO2e, respectively. This equates to a combined gross Scope 1 and Scope 2 location-based emissions decrease of 30.74% in FY2020 vs. FY2019.

Scope 1 and Scope 2 location-based emissions per FTE decreased from 2.99 to 2.17 or by 27.42 % over the same period.

Decrease in emissions was due to energy reduction initiatives that included both capital investment upgrades and operational efficiency improvements. In addition, the occupancy of our buildings decreased as many employees worked from home during the COVID pandemic, which contributed to a reduction in energy use and the resulting emissions.

Intensity figure

0.05654

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

94,282

Metric denominator

square meter

Metric denominator: Unit total

1,667,616

Scope 2 figure used

Location-based

% change from previous year

28.29

Direction of change

Decreased

Reason for change

The total area of real estate occupied during the reporting year (FY2020) and last year (FY2019) were 1,667,616 and 1,726,460 square meters, respectively. Thus, total floor area decreased by 3.41% in FY2020 versus FY2019.

The combined gross Scope 1 and Scope 2 location-based emissions for the reporting year (FY2020) and previous year (FY2019) were 94,282 and 136,129 tCO2e, respectively. This equates to a combined gross Scope 1 and Scope 2 location-based emissions decrease of 30.74% in FY2020 vs. FY2019.

Scope 1 and Scope 2 location-based emissions per square meters of real estate occupied decreased from 0.07885 to 0.05654 or by 28.29% over the same period.

Decrease in emissions was due to energy reduction initiatives that included both capital investment upgrades and operational efficiency improvements. In addition, the occupancy of our buildings decreased as many employees worked from home during the COVID pandemic, which contributed to a reduction in energy use and the resulting emissions.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	302	Decreased	55.51	The combined gross Scope 1 and Scope 2 market-based emissions for the reporting year (FY2020) and previous year (FY2019) were 242 and 544 tCO2e, respectively. This equates to a combined gross Scope 1 and Scope 2 market-based emissions decrease of 302 tCO2e or 55.51 % in FY2020 vs. FY2019. In FY2020, we purchased 327,607 MWh of renewable energy certificates, which represented 62,419 tCO2e avoided. We have accounted for these purchases in our Scope 2 market-based figure reported in C6.3. Decrease in Scope 2 market-based emissions was due to purchases of renewable energy certificates in the reporting year as well as a reduction in purchased steam.
Other emissions reduction activities	41,847	Decreased	30.74	The combined gross Scope 1 and Scope 2 location-based emissions for the reporting year (FY2020) and previous year (FY2019) were 94,282 and 136,129 tCO2e, respectively. This equates to a combined gross Scope 1 and Scope 2 location-based emissions decrease of 41,847 tCO2e or 30.74% in FY2020 vs. FY2019. Decrease in combined gross Scope 1 and Scope 2 location-based emissions was due to energy reduction initiatives that included both capital investment upgrades (1,596 tCO2e reductions) and operational efficiency improvements. In addition, the occupancy of our buildings decreased as many employees worked from home during the COVID pandemic, which contributed to a reduction in energy use and the resulting emissions.
Divestment				
Acquisitions				
Mergers				
Change in output				

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in methodology				
Change in boundary				
Change in physical operating conditions				
Unidentified				
Other				

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 10% but less than or equal to 15%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	Yes

Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization’s energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	164,117	164,117
Consumption of purchased or acquired electricity		326,446	0	326,446
Consumption of purchased or acquired steam		0	1,162	1,162
Total energy consumption		326,446	165,279	491,725

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place

Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

BMO FY2020 Verification Statement EN Final July 13, 2021.pdf

Page/ section reference

Pages 1 and 2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

BMO FY2020 Verification Statement EN Final July 13, 2021.pdf

Page/ section reference

Pages 1 and 2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Underway but not complete for reporting year – previous statement of process attached

Type of verification or assurance

Reasonable assurance

Attach the statement

BMO GHG Verification Statement_FY2019 v3 Final.pdf

Page/ section reference

Please see page 1 for the verification statement for the previous reporting year (November 1, 2018 to October 31, 2019).
The verification statement for our Scope 2 market-based emissions for this reporting period (November 1, 2019 to October 31, 2020) will be available by the end of August 2021 at https://our-impact.bmo.com/our-practices/climate-change/operational-sustainability/enviro-targets-performances/

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Waste generated in operations

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

BMO FY2020 Verification Statement EN Final July 13, 2021.pdf

Page/section reference

Pages 1 and 2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Business travel

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

BMO FY2020 Verification Statement EN Final July 13, 2021.pdf

Page/section reference

Pages 1 and 2

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, we do not verify any other climate-related information reported in our CDP disclosure

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Other, please specify

Combination

Project identification

Will Solutions – Quebec Based Community and Private Sector Credits

Will Solutions provide Quebec based community and private sector credits. Will Solutions' Sustainable Community Solution encourages, quantifies, and clusters together the GHG reduction efforts of both small and medium-sized public and private entities in order to create high quality carbon credits validated to the Verified Carbon Standard (VCS), a highly respected international standard. The carbon credits generated come from diverse source activities such as energy efficiency for buildings, redirection of waste from landfills, and improvement of industrial and commercial processing practices.

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)

25,000

Number of credits (metric tonnes CO2e): Risk adjusted volume

25,000

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Landfill gas

Project identification

City of Guelph – Landfill Gas Project

The City of Guelph generates carbon credits due to the collection and destruction of methane emissions at its Eastview Landfill. Renewable electricity is generated on the landfill site by using the methane as fuel. The carbon credits that result from the methane destruction are certified to applicable ISO standards and the electricity generated is renewable energy.

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)

12,210

Number of credits (metric tonnes CO2e): Risk adjusted volume

12,210

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?

Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price

Change internal behavior
Drive energy efficiency
Identify and seize low-carbon opportunities

GHG Scope

Scope 1
Scope 2
Scope 3

Application

Selected business units.

Actual price(s) used (Currency /metric ton)

30

Variance of price(s) used

BMO uses differentiated and evolutionary carbon pricing as the price of instruments such as renewable energy credits (RECs) and carbon offsets varies by region and time period. The price reported represents the upper-range price for BMO to mitigate emissions and achieve carbon neutrality. We apply a carbon price to the following business units: Corporate Real Estate.

Type of internal carbon price

Shadow price
Implicit price
Offsets

Impact & implication

BMO uses a number of instruments, such as renewable energy credits (RECs) and carbon offsets, to reduce its carbon footprint. As the price of these instruments varies, BMO's internal carbon price represents the upper-range price to mitigate emissions and achieve carbon neutrality. The internal carbon price is set through a combination of shadow price, implicit price, and offsets. BMO is not directly exposed to risks from regulations such as cap-and-trade schemes that affect the cost of carbon emissions. Currently, the internal price of carbon helps BMO uncover opportunities and guide decisions on more cost-effective means to reduce our carbon footprint. For example, BMO has partnered with an electric utility in one of the U.S. states to bundle brown and green power through on-bill financing without significant premium. This initiative has lowered the quantity and cost for RECs requirements. The cost savings can be further reinvested in low-carbon technologies and emission reduction initiatives.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our customers

Yes, our investee companies

Yes, other partners in the value chain

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Engagement & incentivization (changing customer behavior)

Details of engagement

Offer financial incentives for customers who reduce your downstream emissions (Scope 3) and/or exposure to carbon-related assets

% of customers by number

15

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)

Minority of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement

BMO is committed to playing a leading role in sustainable finance by providing solutions that help our clients transition to a net zero carbon economy. This includes developing innovative products and services that can help our customers along their sustainability journey. In 2020, BMO's sustainable finance team met with approximately 15% of BMO Capital Markets clients.

BMO was the sustainability structuring agent and sole bookrunner providing Maple Leaf Foods with the first sustainability-linked loan (SLL) in Canada. This $2 billion credit facility includes an interest rate margin reduction if Maple Leaf Foods achieves predetermined sustainability targets related to reducing its electricity use, water use and solid waste, and continues to reduce its carbon emissions to maintain net carbon neutrality.

We were also the sustainability structuring agent and lead arranger on a sustainability-linked reserve-based lending facility for a northern Europe-based exploration and production borrower. This facility was more than US$3 billion and included environmental targets that, if met, would allow for an interest rate margin reduction on the drawn spread.

We also acted as a sustainability structuring lead on a deal with Gibson Energy Inc. to fully transition its principal syndicated revolving credit facility into a sustainability-linked revolving credit facility. Gibson is the first public energy company in North America to do this. The new Sustainability-Linked 5-Year, $750 million Revolving Credit Facility includes terms that reduce or increase the borrowing costs as Sustainability and ESG targets are met or missed. The performance determinants include the reduction of Scope 1 and 2 GHG emissions intensity by 15% by 2025.

Impact of engagement, including measures of success
The goal of a SLL is to incentivize a borrower to achieve certain ESG-related improvements. If a borrower meets the predetermined sustainability targets, then the engagement is considered successful. For example, for the Maple Leaf Foods Inc. SLL, the engagement would be considered successful if it meets targets related to electricity use, water use, solid waste and continuing to reduce its carbon emissions in line with its achievement of net carbon neutrality.

Impact of engagement, including measures of success

The goal of a SLL is to incentivize a borrower to achieve certain ESG-related improvements. If a borrower meets the predetermined sustainability targets, then the engagement is considered successful. For example, for the Maple Leaf Foods Inc. SLL, the engagement would be considered successful if it meets targets related to electricity use, water use, solid waste and continuing to reduce its carbon emissions in line with its achievement of net carbon neutrality.

C-FS12.1c

(C-FS12.1c) Give details of your climate-related engagement strategy with your investee companies.

Type of engagement

Engagement & incentivization (changing investee behavior)

Details of engagement

Other, please specify

Encourage alignment of investee companies’ business strategy with global net zero emissions by 2050 or sooner

% of investees by number

4.7

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage

Minority of the portfolio

Rationale for the coverage of your engagement

Our investor engagement approach at BMO Global Asset Management (GAM) focuses on encouraging investee companies to align their business strategies with the Paris agreement and the objective of net zero global greenhouse gas emissions by 2050 or sooner. We prioritise our engagement through a formal annual process, where we select priority companies and themes. In 2020, for instance, we prioritised coal phase-out, with a focus on high-emitting mining and electric utility companies in key selected developed and emerging markets; and on how climate change is integrated into the lending and underwriting practices of major international banks. We also work closely with fund managers to engage with companies in our actively-managed portfolios on a more flexible basis, focusing on companies making a significant contribution to portfolio emissions.

In 2020, we engaged with 484 companies on climate change, which represents a portfolio coverage of approximately 36% (by number of companies), based on the total number of investee companies across various funds.

Climate change is also fully integrated into our voting process. During the 2020 voting season, we implemented a systematic process for identifying investee companies that have fallen behind in climate risk management based on a set of criteria. Where we judged these companies to be climate laggards, we voted against relevant management resolutions, such as the re-election of directors. This covered six sectors: oil & gas, mining & metals, materials, electric utilities, transportation & autos, and financial institutions. Full details can be found in our Corporate Governance Guidelines. Our ESG Viewpoint: Voting for Climate Action summarises our 2020 voting actions https://www.bmogam.com/ca-en/institutional/news-and-insights/voting-for-climate-action/

Impact of engagement, including measures of success

The success of these efforts is measured by milestones – instances of change in the way these companies address ESG issues after we engage with them. In 2020, we recorded 343 milestones where companies improved ESG policies and practices following our engagement, of which 72 (21%) were linked to climate change. This included many companies committing to net zero emissions targets following engagement, both 1 on 1 and via initiative such as Climate Action 100+.

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

BMO engages with other value chain partners such as facilities managers and downstream value chain partners outside of customers/clients. Our strategy for prioritizing engagements is based on a combination of factors, including: opportunity to generate cost savings/reduce GHG emissions, the ability to create or raise awareness, and advance BMO's reputation as a responsible citizen.

Example 1

BMO works extensively with facilities management (FM) providers in Canada/United States to identify business case and execute energy savings opportunities across our facilities. Through our combined efforts, we have implemented capital projects for energy savings initiatives such as interior/exterior lighting retrofits, heating/cooling infrastructure upgrades and building envelope improvements. Additionally, no/low cost operational improvements have been introduced to reduce utilities consumption, operational costs and the resultant emissions. The engagement strategy is founded on surfacing opportunities with FM service providers using utility data analysis, benchmarking/monitoring, energy assessments, capital planning, project management, and measurement & verification. Initiatives are prioritized based on a combination of cost savings and emissions reductions in this order of importance. These efforts directly contributed to our organization’s success in reducing facilities related emissions (Scope 1 and Scope 2) by approximately 30.74% in FY2020 versus FY2019.

Measures of Success:

- Reduced ongoing operational costs in the form of utilities cost reductions as well as maintenance cost reductions
- Reduced GHG emissions as a result of both capital and operational improvements – reduced utilities consumption translates into reduced emissions
- Reduced emissions contribute to reduced costs for expenditures of carbon offsets and/or renewable energy in order to maintain our commitment to Carbon Neutrality and 100% renewable energy purchases
- Positive impact on awareness of both employees and customers, relative to BMO’s climate change initiatives

Example 2

BMO partners with a preferred supplier to facilitate the environmentally responsible recycling or refurbishment/resale of technology equipment. In many cases, equipment deemed to have reached the end of its useful life from a BMO perspective, can be refurbished and reused by other organizations (e.g. schools). This activity avoids the creation of harmful greenhouse gases from the manufacture of new equipment and defers the impact to the waste/recycling stream. Compugen's CarbonBank™ program works as follows. “End of first life” IT technology is decommissioned and securely transported to a Compugen configuration centre, where all equipment is checked and hard drives are completely wiped of all data using National Institute of Standards and Technology (NIST) data-erasure standards. Technology isn’t limited to just laptop and desktop computers, but includes any IT technology, including networking/storage and even smartphones. The CarbonBank program manages to find a second life for almost all types of technology that it receives. The equipment is then tested and refurbished for resale into new markets, such as educational districts, computer retail stores, or small businesses. Carbon credits are generated through avoidance of emissions associated with the traditional e-waste recycling process and the manufacture of new IT equipment and are verified by an accredited third party.

- Measures of success:
- Reduced GHG emissions from avoided new equipment manufacturing (e.g. using repurposed equipment) & landfill avoidance for technology assets taken out of service (BMO includes waste to landfill in its emissions calculations). In F2020 approximately 2,865 tonnes of greenhouse gas emissions were avoided.
- Reduced costs to BMO for disposal of technology equipment

Consistent with our Supplier Code of Conduct, BMO is developing a Sustainable Procurement program that considers current and future suppliers' sustainability performance and risk management, including risks related to climate change. In 2020, we conducted an analysis to estimate the GHG emissions embedded in our supply chain, identified as Scope 3 category 1 emissions from purchased goods and services in the GHG Protocol. This information enabled us to set a baseline and identify carbon hot spots in our supply chain, and will also inform the development of our sustainable procurement program. In 2020, BMO joined CDP Supply Chain to help us better understand the environmental impact of our procurement activities and to provide a platform through which we can engage with a selection of strategic suppliers on climate-related risks and opportunities.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers
Trade associations
Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Mandatory carbon reporting	Support	Our subsidiary BMO Global Asset Management (BMO GAM) has engaged extensively with policymakers, primarily through the support of collaborative letters and policy statements developed by groups such as the Institutional Investors Group on Climate Change (IIGCC). Examples are set out in BMO GAM's annual Responsible Investment Review, and in 2020 included supporting an open letter to EU leaders on using recovery plans from COVID-19 to support the EU Green Deal; a letter to UK electricity regulator Ofgem on ensuring that regulations allow for necessary investment in grid upgrading for the transition to zero carbon energy; and a letter to the South Korean government asking them to take steps to limit overseas financing of coal-fired power.	N/A. Support of international standards.
Climate finance	Support	BMO is participating in a Canadian Standards Association Technical Committee to develop a National Standard of Canada for transition and sustainable finance.	N/A. Support of national standards.
Other, please specify	Support	In Q1 / Q2 2021, BMO engaged several government officials to discuss how the bank's net zero commitment supports Canada's overall objectives.	N/A. Support of national standards.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Institutional Investors Group on Climate Change

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The Institutional Investors Group on Climate Change is a 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.

How have you influenced, or are you attempting to influence their position?

Representation from our subsidiary BMO Global Asset Management on working groups, participating actively in policy work.

Trade association

Investment Association

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The Investment Association is the main trade body for UK asset managers. It has published a number of papers on sustainable investment and is developing its position on climate change.

How have you influenced, or are you attempting to influence their position?

Representation from BMO Global Asset Management on the IA's Sustainability Committee and co-chairing the IA's Climate Change Working Group.

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

BMO is an active member of the United Nations Environment Program for Financial Institutions (UNEP-FI), including on several climate scenario analysis projects. BMO is taking a leadership role on several UNEP-FI workstreams, including climate risk analysis, positive impact analysis and just transition.

BMO is on the global Steering Committee of the Equator Principles, which establishes a global framework for environmental and social risk management in finance. BMO serves as the North American representative to the EP Association and was actively involved in the recent EP 4 update which included climate change and risk management in its scope.

BMO Global Asset Management (BMO GAM) was one of the founding members of Climate Action 100+. This is a US$54 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. In 2020, BMO GAM took a lead or supporting role in engaging with 27 Climate Action 100+ companies, including major US electric utilities Vistra and Duke Energy; South Korean steel giant POSCO; and car companies Stellantis and GM.

BMO personnel participated as head of the Canadian delegation, subject matter expert and international negotiator for the harmonized Standards Council of Canada Mirror Committees on ISO/TC 207 – Environmental Management and ISO/TC 207 Sub-Committee 1 on Environmental Management Systems (EMS). BMO participated in both international and national meetings focused on creating tools related to the development and maintenance of EMS standards, such as the internationally recognized ISO 14001. As such, BMO provided a service to both Canada and the extended international community and supported actions to provide organizations of any size with a common framework, upon which they could build robust, credible and reliable environmental management systems aimed at improving environmental performance.

In addition, BMO personnel is the Chair of Canada's Mirror Committee to ISO/TC 322 on Standardization in the Field of Sustainable Finance. The scope of work will promote the integration of environmental, social and governance practices in financing activities.

BMO is participating in the Canadian Standards Association – Technical Committee to develop a national standard of Canada for transition and sustainable finance.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Only authorized BMO representatives knowledgeable of climate strategy are involved in climate related engagement with stakeholders or policy makers. BMO's Sustainability Council, composed of a cross section of leadership are kept apprised of climate strategy matters through quarterly Sustainability Council meetings, including any engagement opportunities.

BMO's participation as an international negotiator for the harmonized Standards Council of Canada / CSA Mirror Committee on ISO/TC 207 – Environmental Management and ISO/TC 207/SC 1 – Environmental Management Systems – is closely aligned with the Sustainability group's mandate and the organization's continued focus on energy and cost reduction. As an organization that has publicly announced and achieved both carbon neutrality in global operations (since 2010) and three consecutive GHG emissions reduction targets, the ISO 14001 framework is very much aligned with our internal focus on energy practices specifically and climate change implications in general. The establishment of and tracking against specific targets and adoption of ISO 14001 for environmental management system implementation are examples of processes for direct activities that align with policy.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In voluntary sustainability report

Status

Complete

Attach the document

BMO-2020-ESG-PAS-accessible-1-1.pdf

Page/Section reference

Pages 59-69

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment

Publication

In mainstream reports

Status

Complete

Attach the document

bmo_ar2020_accessible.pdf

Page/Section reference

Pages 76, 112-113

Content elements

Governance
Strategy
Risks & opportunities

Comment

Publication

In mainstream reports

Status

Complete

Attach the document

BMOProxy_March2021.pdf

Page/Section reference

Pages 16-19, 25-29

Content elements

Governance
Risks & opportunities

Comment

Publication

In voluntary communications

Status

Complete

Attach the document

20-3012_EnvironmentalPolicy_ACC_Ev1.pdf

Page/Section reference

All pages

Content elements

Governance
Strategy

Comment

Publication

In voluntary communications

Status

Complete

Attach the document

climate-change-approach.pdf

Page/Section reference

All pages

Content elements

Governance
Strategy
Risks & opportunities

Comment

Publication

In voluntary communications

Status

Complete

Attach the document

Page/Section reference

Content elements

Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment

https://our-impact.bmo.com/our-practices/climate-change/operational-sustainability/enviro-targets-performances/

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Equator Principles Partnership for Carbon Accounting Financials (PCAF) Principles for Responsible Investment (PRI) Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking	
Industry initiative	Partnership for Carbon Accounting Financials (PCAF) Principles for Responsible Investment (PRI) UNEP FI Principles for Responsible Banking Climate Action 100+ Institutional Investors Group on Climate Change (IIGCC) Transition Pathway Initiative UNEP FI UNEP FI TCFD Pilot Other, please specify Investor Statement on Just Transition, Canadian Bankers Association – TCFD Working Group, Canadian Standards Association – Technical Committee on Green and Transition Finance in Canada, Net Zero Asset Managers Alliance	
Commitment	Other, please specify Net Zero Asset Managers Alliance, United Nations Principles For Responsible Banking	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Category 15 "Investment" total absolute emissions Alternative carbon footprinting and/or exposure metrics (as defined by TCFD	BMO conducted analysis to quantify carbon-related assets in our lending portfolio. We have determined that our lending in support of carbon-related assets in 2020 was approximately $13.7 billion and represented 3.0% of our total lending portfolio, relative to 3.3% in 2019. BMO has joined the Partnership for Carbon Accounting Financials (PCAF) and is committed to measure and disclose the GHG emissions associated with its portfolio of loans and investments. With its net zero ambition, BMO is targeting net zero financed emissions in our lending by 2050 and committing to establishing intermediate and long-term targets for financed emission reduction in partnership with our clients. BMO will report on progress annually beginning in 2021.
Investing (Asset manager)	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD	BMO GAM has built an ESG Risk Tool, which is available to fund managers invested in relevant asset classes (listed equities and credit). This provides an estimate of companies' carbon intensity versus sector peers, and flags those that are significantly over the sector average. The tool is also used to produce quarterly portfolio-specific reports for fund managers. These include a detailed carbon footprint analysis, with portfolio-weighted carbon intensity vs benchmark and absolute emissions. The reports also provide details on the contribution of sector and stock selection factors to the portfolio-weighted carbon intensity, and indicate the companies with the highest carbon intensity versus peers. These reports can then be used by fund managers to identify potentially high-risk companies for deeper analysis. We currently publish the portfolio-weighted carbon intensity vs benchmark for our Responsible funds and some other ESG strategies. BMO GAM is currently building out a set of new climate analytics tools and metrics in order to support its ambition to transition all assets to net zero emissions by 2050 or earlier. These tools will bring in additional data points to assess the net zero alignment of investee companies, and our investment in solutions.
Other products and	Not applicable		

services, please specify			

C-FS14.1a

(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)

Category 15 (Investments)

Evaluation status

Relevant, not yet calculated

Please explain

Our approach to climate action and disclosure is continually evolving to achieve a leadership position in the financial sector. In 2020 BMO became a signatory to the Partnership for Carbon Accounting Financials (PCAF), an industry-led partnership established to develop and implement a harmonized approach to financed emission quantification. The PCAF methodology was finalized in November of 2020. We are committed to measure and disclose the GHG emissions associated with its portfolio of loans and investments. With our net zero ambition, BMO is targeting net zero financed emissions in our lending by 2050 and committing to establishing intermediate and long-term targets for financed emission reduction in partnership with our clients. BMO will report on progress annually beginning in 2021.

C-FS14.1b

(C-FS14.1b) What is your organization's Scope 3 portfolio impact? (Category 15 "Investments" alternative carbon footprinting and/or exposure metrics)

Metric type

Exposure to carbon-related assets

Metric unit

Percentage portfolio value

Scope 3 portfolio metric

3

Portfolio coverage

More than 90% but less than or equal to 100%

Percentage calculated using data obtained from clients/investees

Calculation methodology

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, nuclear electricity producers and waste management companies. The amount is reported as at October 31, 2020, and is expressed as a percentage of total net loans and acceptances, net of allowance for credit losses on impaired loans.

Please explain

We have determined that our lending in support of carbon-related assets in 2020 was approximately $13.7 billion and represented 3.0% of our total lending portfolio, relative to 3.3% in 2019. At BMO, we have been advancing innovative approaches to managing climate-related financial risk and are taking concrete action to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) across our business. We have focused on measuring and disclosing quantitative and qualitative information on climate-related risks and opportunities aligned with the recommendations of the TCFD for which good data and clear methodologies are available. We chose to determine our exposure to carbon-related assets as this is a risk metric recommended for financial institutions by the TCFD. This metric is used to determine our relative exposure to assets that are sensitive to climate-related transition risks, as a proportion of our total lending portfolio. The metric has been used to provide investors and other stakeholders with market leading information regarding BMO's climate-related risks, including portfolio impacts.

In 2020, BMO became a signatory to the Partnership for Carbon Accounting Financials (PCAF) and committed to measure and disclose the GHG emissions associated with its portfolio of loans and investments. BMO will report on progress annually beginning in 2021.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	Yes, by industry	

C-FS14.2b

(C-FS14.2b) Break down your organization’s Scope 3 portfolio impact by industry.

Industry	Metric type	Metric unit	Scope 3 portfolio emissions or alternative metric	Please explain
Energy	Exposure to carbon-related assets	Percentage portfolio value	2.8	All energy sector assets are in-scope for the calculation, which includes oil and gas, and coal fuels. The amount is reported as at October 31, 2020 and is expressed as a percentage of total net loans and acceptances, net of allowance for credit losses on impaired loans.
Utilities	Exposure to carbon-related assets	Percentage portfolio value	0.2	The calculation includes all utilities sectors assets, except 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, 2020 and is expressed as a percentage of total net loans and acceptances, net of allowance for credit losses on impaired loans.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	Building on our long-standing commitment to a sustainable future, support for the Paris Climate Agreement, and a track record of strong operational sustainability performance, BMO is committed to be its clients’ lead partner to a net zero world. BMO’s net zero ambition is our strategy to address climate-related risks and opportunities, consider climate-related issues when reviewing strategic choices and measure and report our progress against goals and targets. BMO is targeting net zero financed emissions in our lending by 2050 and committing to establishing intermediate and long-term targets for financed emission reduction in partnership with our clients. We have established the BMO Climate Institute to drive thought leadership inside and outside of the bank, convene parties for climate action and provide insights and best practices for industry, government, academia and investors to unlock climate solutions. We are committed to deploying $300 billion in capital to clients to advance sustainability objectives, including the transition to a net zero world.

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Investing (Asset manager)	Yes	In December 2020, we adopted an ambition to reach net zero emissions by 2050 or sooner across all our assets under management, as one of the founder supporters of the Net Zero Asset Managers Initiative. We will seek to achieve this ambition through close partnership both with our clients, and with the companies we invest in through continued engagement. We are currently finalising our methodology and building new data tools to conduct portfolio-level net zero analysis. Our initial focus is on listed assets (equities and credit), and on real estate.We published a piece in March 2021 setting out our overall approach on net zero alignment. https://www.bmogam.com/ca-en/institutional/news-and-insights/the-road-to-net-zero/
Other products and services, please specify	Not applicable	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	BMO has joined the Partnership for Carbon Accounting Financials (PCAF) and is committed to measure and disclose the GHG emissions associated with its portfolio of loans and investments. With its net zero ambition, BMO is targeting net zero financed emissions in our lending by 2050 and committing to establishing intermediate and long-term targets for financed emission reduction in partnership with our clients. This included assessing our clients' alignment to the goals of the Paris Climate Agreement. BMO will report on progress annually beginning in 2021.
Investing (Asset manager)	Yes, for some	As referenced in C-FS14.3, we are currently developing data and tools which will allow us to analyse investee companies' Paris alignment as part of our net zero commitment. We will make use of data including the Climate Action 100+ Benchmark, the Science-based Targets Initiative, Transition Pathway Initiative and Carbon Disclosure Project, as well as data from our provider MSCI ESG. Alternative data sources will be used for other asset classes, such as CRREM for real estate.

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	Yes, for some	We provide ESG advisory services to our clients that includes helping them set sustainability-related targets. We tailor our advice to clients based on a number of factors related to their business, including the current stage of their ESG strategy, the best available technology, the sector in which they operate, and more.
Investing (Asset manager)	Yes, for some	In our engagement programme we ask investee companies to align their business strategies with the Paris agreement, including setting long-term targets, interim milestones, and disclosing the pathway to achieve these. More details are in our document "Climate Change Engagement: A framework for the future". We are also having discussions with a number of our institutional clients and with consultants on net zero alignment ambitions and methodologies, and speaking at educational events on this topic. Our aim is to set out the range of available methodologies and help to guide our clients towards an informed decision on whether to adopt net-zero or science-based targets. More formal discussions will also take place when applying net zero targets and criteria to existing funds.

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Vice President, Chief Sustainability Officer	Chief Sustainability Officer (CSO)

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

	Annual Revenue
Row 1	25,186,000,000

SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

Yes

SC0.2a

(SC0.2a) Please use the table below to share your ISIN.

	ISIN country code (2 letters)	ISIN numeric identifier and single check digit (10 numbers overall)
Row 1	CA	0636711016

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

SC1.2

(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).

SC1.3

(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?

Allocation challenges	Please explain what would help you overcome these challenges
Customer base is too large and diverse to accurately track emissions to the customer level	The nature of our business as a service provider means our energy consumption is limited to offices and business travel which simultaneously serve multiple customers and cannot easily be allocated to any individual or business to which we provide financial products and services.

SC1.4

(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?

No

SC1.4b

(SC1.4b) Explain why you do not plan to develop capabilities to allocate emissions to your customers.

We do not plan to develop capabilities to allocate emissions to our customers. As a diversified financial services provider with over 12 million customers globally it would not be feasible to do and have data readily available to do so. The nature of our business as a service provider means our energy consumption is limited to offices and business travel which simultaneously serve multiple customers and cannot easily be allocated to any individual or business to which we provide financial products and services.

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

SC4.1

(SC4.1) Are you providing product level data for your organization's goods or services?

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain questions?
I am submitting my response	Investors Customers	Public	Yes, I will submit the Supply Chain questions now

Please confirm below

I have read and accept the applicable Terms

BMO Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States *Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. Forward-looking statements in this document may include, but are not limited to, statements with respect to our objectives and priorities for fiscal 2021 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, the regulatory environment in which we operate and the results of or outlook for our operations or for the Canadian, U.S. and international economies, the expected impact of the COVID-19 pandemic on our business, operations, earnings, results, and financial performance and condition, as well as its impact on our customers, competitors, reputation and trading exposures, and include statements of our management. Forward-looking statements are typically identified by words such as "will", "would", "should", "believe", "expect", "anticipate", "project", "intend", "estimate", "plan", "goal", "target", "may" and "could".

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, both general and specific in nature. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct, and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The uncertainty created by the COVID-19 pandemic has heightened this risk given the increased challenge in making assumptions, predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements, as a number of factors – many of which are beyond our control and the effects of which can be difficult to predict - could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: the severity, duration and spread of the COVID-19 pandemic, its impact on local, national or international economies, and its heightening of certain risks that may affect our future results; the possible impact on our business and operations of outbreaks of disease or illness that affect local, national or international economies; general economic and market conditions in the countries in which we operate; information, privacy and cyber security, including the threat of data breaches, hacking, identity theft and corporate espionage, as well as the possibility of denial of service resulting from efforts targeted at causing system failure and service disruption; changes in monetary, fiscal, or economic policy, and tax legislation and interpretation; interest rate and currency value fluctuations, as well as benchmark interest rate reforms; technological changes and technology resiliency; political conditions, including changes relating to or affecting economic or trade matters; the Canadian housing market and consumer leverage; climate change and other environmental and social risks; weak, volatile or illiquid capital or credit markets; the level of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans and to complete proposed acquisitions or dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks, including with respect to reliance on third parties; changes to our credit ratings; global capital markets activities; the possible effects on our business of war or terrorist activities; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; and our ability to anticipate and effectively manage risks arising from all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please refer to the discussion in the Risks That May Affect Future Results section, and the sections related to credit and counterparty, market, insurance, liquidity and funding, operational, legal and regulatory, strategic, environmental and social, and reputation risk, in the “Enterprise-Wide Risk Management” section that starts on page 73 of BMO’s 2020 Annual Report, as updated by the “Risk Management” section in BMO’s First Quarter 2021 and Second Quarter 2021 Reports to Shareholders, all of which outline certain key factors and risks that may affect our future results. Investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the “Economic Developments and Outlook” section that starts on page 18 of BMO’s 2020 Annual Report, as updated by the “Economic Review and Outlook” section in BMO’s First Quarter 2021 and Second Quarter 2021 Reports to Shareholders, as well as set out in the “Allowance for Credit Losses” section that starts on page 114 of BMO’s 2020 Annual Report, as updated by the “Allowance for Credit Losses” section in BMO’s First Quarter 2021 and Second Quarter 2021 Reports to Shareholders. Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, we primarily consider historical economic data, past relationships between economic and financial variables, changes in government policies, and the risks to the domestic and global economy.