

BMO Financial Group

Principles for Responsible Banking

2022 Reporting and Self-Assessment

In February 2021, BMO became one of the first North American banks to sign the **United Nations (UN) Principles for Responsible Banking (PRB)**.

The PRB provide a framework for a sustainable banking system. Signatories commit to embedding sustainability at the strategic, portfolio and transactional levels, across all business areas. The PRB enable financial institutions genuinely committed to sustainable and responsible banking to set targets and ambitions that accelerate progress toward achieving the UN Sustainable Development Goals (SDGs) and the objectives of the Paris Climate Agreement.

Our commitment to sustainability is embedded in our strategy and is fundamental to our Purpose. In implementing the PRB, we have identified the most significant environmental, social and economic impacts¹ of our business operations, products and services on our stakeholders and the communities in which we operate.

This report presents our first PRB Reporting and Self-Assessment Template, which we are publishing within 18 months of signing the PRB. Our implementation of the Principles is ongoing, and we will provide an updated Reporting and Self-Assessment Template annually.



¹A "significant impact" for the purposes of this report is different than how we address materiality for disclosure requirements under applicable securities laws.

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In this report

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

Reporting period

Covers the period from becoming a PRB signatory to the date of publication

Data

Unless otherwise noted:

as of October 31, 2021

may be rounded

dollar amounts are in Canadian dollars

Our Disclosures

AR – [BMO Financial Group 2021 Annual Report to Shareholders](#)

Sustainability Report – [2021 Sustainability Report and Public Accountability Statement](#)

Climate Report – [2021 Climate Report](#)

Proxy Circular – [2022 Management Proxy Circular](#)

GRI Index – [2021 GRI Index](#)

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

Established in 1817, BMO Financial Group is a highly diversified provider of financial products and services based in North America, where it is the eighth largest bank by assets, with total assets of \$1,042 billion as at April 30, 2022. 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.

We serve eight million customers across Canada through BMO Bank of Montreal, our Canadian personal and commercial banking segment. In the United States, we serve more than two million personal, business and commercial banking customers through BMO Harris Bank, based in the U.S. Midwest. We also serve customers through our 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. We provide financing for clients operating in a variety of sectors, as listed in page 129 of our 2021 Annual Report.

BMO is continuing to build a high-performing, digitally-enabled bank that's ready for the future. Anchored in our Purpose, we are driven by our strategic priorities for growth, strengthened by our approach to sustainability, and guided by our values to build a foundation of trust with our stakeholders and achieve leading customer loyalty.

2021 Annual Report, About BMO, page 20

2021 Annual Report, Table 9: Net Loans and Acceptances – Segmented Information, page 129

2021 Sustainability Report, Who we are, page 6

1.2

Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

BMO has a deep sense of purpose – to be a champion for progress and a catalyst for change. We are leveraging our position as a leading financial services provider to create opportunities for our communities and our stakeholders to make positive, sustainable change, in the belief that success can and must be mutual.

Our commitment to sustainability is embedded in our strategy and fundamental to our Purpose. We take steps to manage our business in a manner that is consistent with our sustainability objectives and consider the interests of our stakeholders. Our environmental, social and governance (ESG) practices support our efforts to capture opportunities and manage risks in key areas such as sustainable finance, climate change, human rights, and diversity, equity and inclusion.

2021 Sustainability Report, Strategy, pages 9-16

2021 Annual Report, Net-Zero Ambition, pages 10-11

2021 Climate Report, Strategy, pages 13-20

1.2 *continued*

Recognizing that a successful realization of the SDGs requires a worldwide mobilization of private-sector financial institutions, we are integrating these goals into our strategic objectives for sustainability, climate change and sustainable finance to maximize the positive impact of our business operations. We have identified nine SDGs that we think are relevant to our business and where we have the greatest impact. These SDGs and our related contributions are discussed on page 14 of our 2021 Sustainability Report.

In support of the objectives of the Paris Climate Agreement, we established our Net-Zero Ambition – to be our clients' lead partner in the transition to a net-zero world. BMO became a signatory to the UN-convened Net-Zero Banking Alliance (NZBA) in October 2021, and we recognize the important role we can play as a financial institution in catalyzing climate action, financing a just transition to a net-zero economy, and working with our clients to help them understand the risks and opportunities of this transformation. In our 2021 Climate Report, we discuss the ways we are incorporating our Net-Zero Ambition into our strategic planning.

2021 Sustainability Report, Strategy, pages 9-16
2021 Climate Report, Strategy, pages 13-20
2021 Climate Report, Metrics and targets, pages 27-41
2021 Sustainability Report, Sustainable finance, pages 37-39

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

In 2021, we used the Portfolio Impact Analysis Tool version 2 (the Tool) provided by the United Nations Environment Programme – Finance Initiative (UNEP FI) to analyze the potential impacts associated with our lending portfolio. Developed with PRB signatories and UNEP FI member banks and designed to support the implementation of the PRB, the Tool applies impact mapping to a bank's portfolio data to produce impact profiles by banking activity, which helps identify the bank's most significant impacts.

Scope: The Tool includes our analysis of lending activities in our primary countries of operation, Canada and the United States. Our analysis covered:

- 79% of customer accounts as a percentage of total active customer accounts in our consumer banking activities
- 60% of outstanding loans as a percentage of total outstanding loans for our small business and commercial banking activities
- 81% of outstanding loans as a percentage of total outstanding loans for our corporate banking activities.

At this stage, our analysis does not include our investment banking business or our non-lending activities. We expect to expand the scope of our analysis over time.

2.1 *continued*

b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.

c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Scale of exposure: The Tool captures BMO's exposures to specific industries and geographic regions, as well as the scale of each exposure based on outstanding loan amounts. We evaluated the potential positive and negative impacts associated with our lending exposures (as at October 31, 2021) by North American Industry Classification System (NAICS) codes and geographic regions. For our consumer banking business, we evaluated the impacts associated with nine leading products and services, and for small business and commercial banking and corporate banking lines of business, we assessed our top 30 NAICS code exposures by country and banking activity.

Context and relevance: The Tool maps needs by country, capturing the most relevant challenges and priorities related to sustainable development for the countries in which we operate. This enabled us to identify the areas of environmental, social and economic needs (impact needs) in Canada and the United States.

Scale and intensity/salience of impact: The Tool's sector-to-impact mapping identifies "key sectors" for which the scale, intensity and/or probability of the associated impact is high. We assessed the key sectors within our portfolio to determine the scale of impacts associated with our lending exposures. For climate, we considered the emissions intensity of sectors with higher levels of carbon emissions, leveraging an analysis of our financed emissions presented in our 2021 Climate Report.

The analysis we conducted with the Tool indicated that the most significant impacts associated with our portfolio are potential negative impacts related to climate change (SDG 13 Climate Action) and potential positive impacts related to the availability, accessibility and affordability of housing (SDG 11 Sustainable Cities and Communities).

Reporting and Self-Assessment Requirements	High-level Summary of Bank's Response	Reference(s)/Link(s) to Bank's Full Response/Relevant Information
<p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> Identified and disclosed its areas of most significant (potential) positive and negative impact Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>We focus our sustainability efforts on areas that matter most to our business, our customers and our stakeholders (see Principle 4.1). We have begun to identify strategic business opportunities that have the potential to reduce the negative impacts related to climate change and increase the positive impacts related to housing. These are discussed in Principles 2.3, 2.4 and 3.2 below, and are detailed in our 2021 Sustainability Report and our 2021 Climate Report.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
<p>In our impact analysis, we identified the significant impacts associated with the consumer, small business, commercial and corporate banking lines of business lending portfolios. We expect to broaden this analysis across other business activities over time. We are engaging with our third-party assurance provider on PRB assurance, and we plan to obtain limited third-party assurance on our impact analysis for our 2023 Reporting and Self-Assessment Template disclosure.</p>		

2.2 Target Setting:

Show that the bank has set and published a minimum of two **Specific, Measurable** (can be qualitative or quantitative), **Achievable, Relevant and Time-bound** (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Climate change:

In alignment with our Net-Zero Ambition, we have begun to set intermediate targets for reducing our financed emissions by 2030 that will be achieved in partnership with our clients, and a 2030 operational emissions greenhouse gas (GHG) reduction target that was developed to reflect a well below 2°C pathway, with the objectives of SDG 13 Climate Action and Canadian and U.S. public policy. These targets are discussed in our 2021 Climate Report and include::

- Operational emissions: Maintaining carbon neutrality and 100% renewable electricity purchases for our operations and targeting a 30% reduction in emissions by 2030.
- Upstream oil and gas lending portfolio Scope 1 and 2 emissions: Targeting a 33% reduction in portfolio emissions intensity by 2030 from a 2019 baseline, consistent with the Oil Sands Pathway to Net Zero Initiative and the Global Methane Pledge adopted by the Government of Canada.
- Upstream oil and gas lending portfolio Scope 3 emissions: Targeting a 24% reduction in absolute Scope 3 emissions by 2030 from a 2019 baseline. This could be the result of a reduction in global oil and gas demand, the use of carbon capture and storage technology across the economy, increasing alternative uses for oil and gas products, and BMO's own strategic exit from non-Canadian oil and gas financing announced in 2019.
- Power generation lending portfolio Scope 1 emissions: Targeting a carbon intensity of 0.06 tCO₂/MWh for our Canadian portfolio by 2030, equivalent to a 45% reduction from a 2019 baseline, indicated by an 88% share of low-carbon power generation. This target is consistent with regulatory requirements for the phase-out of conventional coal-fired electricity generation by 2030, as well as the Government of Canada's plans to invest in a clean energy grid by supporting growth in renewable power generation capacity and the deployment of grid modernization technologies such as energy storage.
- Canadian personal motor vehicle lending portfolio Scope 1 and 2 emissions: Targeting 100% of new loans for light-duty cars and passenger trucks in Canada to finance purchases of zero-emission vehicles (ZEVs) by 2035, consistent with the Government of Canada mandatory target that all such vehicles sold must be ZEVs by 2035, as well as similar commitments by many major vehicle manufacturers to electrify their product offering.

2021 Climate Report, Metrics and targets, pages 27-41

2021 Sustainability Report, Sustainable finance, pages 37-39

2021 Sustainability Report, BMO EMpower, pages 31-32

[Decarbonizing Canada's housing market](#)

[Electrifying Canada](#)

2.2 *continued*

- Residential real estate: Completed a target-setting analysis for our Canadian mortgage portfolio, but there are significant barriers to decarbonizing residential real estate. Given the challenges, interdependencies and opportunities for the decarbonization of the real estate sector (discussed in greater detail in our paper [Decarbonizing Canada's housing market](#)), we have not set a financed emissions reduction target for this sector at this time. We expect to revisit this analysis as data quality and availability improve.

Housing:

In our sustainable finance strategy and BMO EMpower, our five-year US\$5 billion commitment to address key barriers faced by minority businesses, communities, and families in the United States, we include targets related to the availability, accessibility and affordability of housing, in line with SDG 11 Sustainable Cities and Communities:

- \$12 billion committed to financing affordable housing over a ten-year period in Canada
- US\$500 million committed to home mortgage lending in low- to moderate-income communities in the United States
- US\$3 billion committed to community investment in affordable housing and neighbourhood revitalization in the United States.

Our approach to sustainable finance and BMO EMpower are discussed in our 2021 Sustainability Report.

Recognizing the interconnectedness of the SDGs and the objectives of the Paris Climate Agreement and the complex interplay between them, as well as the potential negative impacts of pursuing our targets related to climate change and housing, we are taking action to mitigate these impacts so that the net benefit of these initiatives will be positive. For example:

- The transition to a net-zero economy presents potential negative social impact on some workers, communities and Indigenous peoples. Governments and financial industry regulators worldwide are looking to support a gradual, just transition that addresses the environmental and social impacts on these groups and includes economically marginalized populations in new industries. To help drive this transformation, we are partnering with our clients to accelerate a low-carbon transition, advancing climate solutions that meet net-zero objectives and social justice goals. BMO and the BMO Climate Institute are committed to leverage our influence as a bank – through procurement, investments and lending – to advance climate justice by identifying business models that are more inclusive of under-represented people; increase economic opportunities in emerging businesses and technologies arising from the low-carbon transition among those who have been historically marginalized; and leverage public funds to enhance climate resilience in disproportionately impacted communities.

2.2 *continued*

- Since real estate is a major contributor to global GHG emissions, any growth in the housing stock and financing for new housing may have negative climate-related impacts. The financial sector can support mortgage and commercial real estate customers by providing products and services intended to make their properties greener. As we note in [Decarbonizing Canada's housing market](#), decarbonization of the real estate sector will primarily be achieved through electrification, with a concurrent increase in the supply of clean energy. The BMO Climate Institute is co-chair of Electrifying Canada, a business-led task force promoting accelerated electrification across Canada to help the country reach net zero by 2050.
- BMO commits to evaluating and enhancing sector-specific due diligence training and procedures for our commercial real estate banking teams so that they address good practice including human rights due diligence considerations related to the purchase and conversion of single-family residences into rental accommodation.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

BMO has demonstrated our commitment to this Principle by making progress toward meeting the targets we have set. We are engaging with our third-party assurance provider on PRB assurance, and we plan to obtain limited third-party assurance on our climate-related target-setting analysis for our 2023 Reporting and Self-Assessment Template and other targets beginning in 2024.

2.3

Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

Climate change

BMO is implementing industry-leading approaches developed by initiatives such as the NZBA and PCAF. For each of the sectors in our initial analysis, we disclose financed emissions in line with the PCAF Standard and other widely accepted metrics, such as emissions intensity and technology mix within each of our portfolios – in order to monitor our progress toward our Net-Zero Ambition. As discussed in our 2021 Climate Report, BMO's Sustainability and Sustainable Finance teams, the BMO Climate Institute, Enterprise Risk and our Energy Transition Group work with our lines of business and external stakeholders to understand, develop and implement strategies to make progress toward financed emissions reduction targets. Actions will be documented in a transition plan that will be reviewed by our Board of Directors, in accordance with our commitment to the NZBA.

Housing

We are evaluating and putting in place a plan to reach more minority and low-income home buyers in the United States. BMO's Community Reinvestment Act (CRA) Oversight Committee (see Principle 5) meets quarterly to discuss key strategic, operational and governance matters related to the performance of BMO Harris Bank on CRA-related metrics, such as BMO EMpower. This data is managed by the CRA Governance team, as the majority of BMO EMpower data is CRA-qualified. The CRA team is audited annually by the U.S. Office of Comptroller of the Currency for data integrity.

We are implementing an internal data collection process to measure and monitor progress on our \$12 billion commitment to finance affordable housing over a ten-year period in Canada, in support of the Canada Mortgage and Housing Corporation's (CMHC) aspiration that all Canadians have a home that they can afford and that meets their needs by 2030, during which we will:

- Increase access to quality housing, as well as financing that enables clients to purchase, develop, renovate and maintain affordable housing, social housing, community housing, shelters and housing for vulnerable populations.
- Finance projects that increase access to housing and promote economic development for Indigenous peoples, both on and off-reserve
- Provide lending, investing and underwriting solutions for consumer, commercial and corporate clients involved in affordable housing.

2021 Climate Report, Metrics and targets – Financed emissions, pages 29-41

2021 Climate Report, Strategy, pages 13-20

2021 Sustainability Report, BMO EMpower, pages 31-32

2021 Sustainability Report, Sustainable finance, pages 37-40

2021 Sustainability Report, Indigenous communities in Canada, page 29

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

Significant work is underway at BMO to meet our stated targets and to measure and monitor our progress, and we will include more details in future reporting. We are engaging with our third-party assurance provider on PRB assurance, and we plan to obtain limited third-party assurance on our plan for target implementation and monitoring in the future.

2.4

Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

In the past 18 months, we have made progress toward meeting our targets.

Climate change

In 2020 and 2021, we saw reductions in the emissions from our operations that reached or came close to our 2030 target, largely due to remote working arrangements related to COVID-19. Although a return to the office could increase emissions above 2020 and 2021 levels in the coming years, we continue to target a 30% reduction from the 2019 baseline by 2030. To advance our carbon neutrality strategy, BMO became the first global bank to invest in future offsets generated by [Direct Air Capture technology](#) in partnership with Carbon Engineering.

We set our targets for BMO's financed emissions less than 12 months ago. We will report on our performance annually, including any actions we take to meet these targets in our transition plan.

Housing

During its first year, BMO deployed more than US\$2 billion in capital towards our BMO EMpower commitment of US\$5 billion. We deployed US\$207 million, or 41%, of our US\$500 million commitment to low- to moderate-income home mortgage lending, and US\$1.4 billion, or 47%, of our US\$3 billion commitment to community reinvestment in affordable housing and neighbourhood revitalization in the United States. Measures contributing to this progress are discussed in our 2021 Sustainability Report.

As of April 30, 2022, we mobilized more than \$1.1 billion of our \$12 billion commitment to finance affordable housing over a ten-year period in Canada, in support of the CMHC aspiration that all Canadians have a home that they can afford and that meets their needs by 2030. This includes:

- Supporting clients through underwriting solutions. For example, BMO acted as joint-lead manager for the City of Toronto Social Bond, part of a program promoting socioeconomic benefits, such as affordable housing.
- Continuing to make housing loans accessible for First Nations through our On-Reserve Housing Loan Program.

2021 Climate Report, Metrics and targets – Operational greenhouse gas emissions, page 28

2021 Climate Report, Direct Air Capture, page 16

2021 Sustainability Report, BMO EMpower, pages 31-32

[Investor Presentation for the Quarter Ended April 30, 2022, page 8](#)

2021 Sustainability Report, Sustainable finance, pages 37-40

2021 Sustainability Report, Indigenous communities in Canada, page 29

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

We have demonstrated our commitment to this Principle by making progress toward the targets we have set, and by providing updates during the past 18 months. We will continue to monitor our progress and report annually. We are engaging with our third-party assurance provider on PRB assurance, and we plan to obtain limited third-party assurance on our progress in meeting our targets in the future.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1

Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

BMO strives to act in the best interests of our clients and customers. We have policies and programs in place that promote responsible relationships with our customers, as discussed in disclosures related to our priority sustainability topics, which include:

- BMO's Purpose to *Boldly Grow the Good in business and life* – see pages 14-15 of our 2021 Annual Report, page 20 of our 2021 Annual Report, and pages 7-8 of our 2021 Sustainability Report.
- Financial inclusion – see pages 27-34 of our 2021 Sustainability Report.
- Sustainable finance – see pages 37-44 of our 2021 Sustainability Report.
- Climate change – see pages 45-46 of our 2021 Sustainability Report, and also our 2021 Climate Report (with specific reference to pages 17-18).
- Environmental and social risk management – see pages 111-113 of our 2021 Annual Report, pages 51-52 of our 2021 Sustainability Report, and pages 21-26 of our 2021 Climate Report.
- Customer experience – see pages 68-69 of our 2021 Sustainability Report.
- Consumer protection and transparency – see page 70 of our 2021 Sustainability Report.
- Innovation and digitalization – see page 71 of our 2021 Sustainability Report.
- Data security – see pages 72-73 of our 2021 Sustainability Report.
- Business conduct – see pages 76-77 of our 2021 Sustainability Report, and also BMO's Code of Conduct on our [website](#).
- Human rights – see pages 78-79 of our 2021 Sustainability Report.

As listed to the left.

3.2

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

BMO aims to foster a more sustainable world with our banking practices, by mobilizing financial resources to support sustainability, and by advancing our Net-Zero Ambition. Examples include:

- The BMO Climate Institute, a centre of expertise that bridges climate policy and science with business strategy and finance to unlock solutions for both BMO and our clients. Led by a multidisciplinary team with climate-related expertise, the Institute convenes stakeholders and drives thought leadership to advance the low-carbon transition and enhance resilience. The Institute serves both clients and the bank by providing a platform for thought leadership and collaboration on climate, to identify investment opportunities for clients and generate insights that enable them to thrive in the evolving climate landscape.

2021 Climate Report, Capabilities, page 17

2021 Climate Report, Client partnership, page 18

2021 Sustainability Report, Sustainable finance, pages 37-39

2021 Sustainability Report, Impact Investment Fund, page 40

3.2 *continued*

- Products and advisory services offered by BMO's Sustainable Finance team to help clients chart a path to sustainability, including sustainable bond underwriting, sustainable equity and debt financing, sustainable finance advisory, and loans that support sustainable clients and projects.
- The BMO Impact Fund, BMO's impact investment fund that aims to find and scale impactful solutions that can help our corporate clients achieve their sustainability goals.
- The Energy Transition Group, which helps our clients develop decarbonization strategies by evaluating energy-related technologies and pairing core products and services with specialty products, such as the BMO Impact Fund and themed loans, to finance new business opportunities that are not yet bankable.
- The Responsible Investment team at BMO Global Asset Management (BMO GAM), which helps our clients meet their investment goals while also building a more sustainable and secure future for all. As both an investor and a steward of capital, BMO GAM advances the principles of responsible investing beyond common ESG risks and focuses on addressing two key systemic issues: climate action and social equality.

2021 Sustainability Report, Responsible investing, pages 42-44
[Responsible Investment 2021 Annual Report](#)

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1

Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

We can learn what's important to our stakeholders through regular, open communication. Examples of our engagement with stakeholders in 2021 and the topics we discussed with them can be found on page 19 of our 2021 Sustainability Report.

We work with industry, government, academia, investors and peers to better understand and address the issues that affect our business and the world around us. A summary of the stakeholder groups in which we actively participated during 2021 can be found on page 15 of our 2021 Sustainability Report, page 19 of our 2021 Climate Report, and pages 3-4 of our GRI Index.

A key pillar of our Net-Zero Ambition is to convene stakeholders for climate action. For example:

- In 2021, the BMO Climate Institute developed and delivered a Climate Change Essentials training course for all BMO employees. The course explains what climate change is, the risks and opportunities for businesses, BMO's Net-Zero Ambition, and the role each employee can play.
- Being a part of, and drivers of, the right conversations, whether through our white papers (such as the recent [Decarbonizing Canada's housing market](#)) or our sponsorship and participation on industry initiatives such as Electrifying Canada (see Principle 2.2).

2021 Sustainability Report, Engaging our stakeholders, page 19
 2021 Sustainability Report, Taking a leadership role, page 15
 2021 Climate Report, Convening for climate action, page 19
 2021 GRI Index, GRI 102-12, External initiatives, page 3, and 102-13 Membership of associations, page 4
[Decarbonizing Canada's housing market](#)

Reporting and Self-Assessment Requirements	High-level Summary of Bank's Response	Reference(s)/Link(s) to Bank's Full Response/Relevant Information
<p>4.1 <i>continued</i></p>	<ul style="list-style-type: none"> • Inform climate change policy, coordinating discussions with government agencies to unlock climate-related financing opportunities and increase the availability of reliable, decision-useful climate-related data. For example, the BMO Climate Institute is collaborating with a consortium of First Nations on a net-zero energy development proposition that incorporates an equity position for Indigenous communities. <p>Our stakeholder engagements on housing include our participation in Our City, Our Future, an Urban Land Institute initiative to develop recommendations for building resilient neighbourhoods in Chicago. Housing and economic development continue to be key issues. Also, our commitment to sustainable financing for affordable housing supports CMHC's aspiration that all Canadians should have a home they can afford, and that meets their needs by 2030.</p>	

Principle 5: Governance and Culture
 We will implement our commitment to these Principles through effective governance and a culture of responsible banking

<p>5.1</p> <p><i>Describe</i> the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>At the Board of Directors level, each Board committee has responsibility for sustainability/climate change risks that fall within its existing purview:</p> <ul style="list-style-type: none"> • The Audit and Conduct Review Committee (ACRC) assesses the effectiveness of our governance of sustainability issues and reviews and approves our Sustainability Report and Public Accountability Statement and Climate Report. • The Risk Review Committee (RRC) oversees the identification, assessment, and management of the bank's environmental and social risks, including risks related to climate change. • The Human Resources Committee is responsible for aligning executive compensation with performance, including performance on environmental and social objectives. • The Governance and Nominating Committee oversees the alignment of ESG-related reporting to the Board and its committees. <p>The CEO has appointed BMO's General Counsel as Executive Committee sponsor for sustainability. Reporting to the General Counsel, BMO's Chief Sustainability Officer oversees sustainability strategy, leading bank-wide initiatives on environmental and social risk working with the Chief Risk Officer, climate change strategy, ESG-focused investor relations, sustainability-related disclosure, operational sustainability, and the bank's approach to sustainable finance with Treasury and our Sustainable Finance team.</p>	<p>2021 Sustainability Report, Sustainability governance, page 75</p> <p>2021 Climate Report, Governance, page 9</p> <p>2022 Proxy Circular, About the Board of Directors, pages 17 and 97</p>
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Reporting and Self-Assessment Requirements	High-level Summary of Bank's Response	Reference(s)/Link(s) to Bank's Full Response/Relevant Information
<p>5.1 <i>continued</i></p>	<p>Management committees, forums and working groups – the ESG Executive Forum, BMO Sustainability Council and others – support sustainable governance across the bank, as discussed in our 2021 Sustainability Report and our 2021 Climate Report.</p> <p>In our U.S. operations, the CRA Oversight Committee (see Principle 2.3) is comprised of the CEO and the Chief CRA Officer of BMO Harris Bank, representatives from Compliance and Audit, and heads of the lines of business responsible for objectives related to CRA, including BMO EMpower.</p>	
<p>5.2</p> <p><i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>BMO fosters a culture of responsible banking in the following ways.</p> <p>Sustainability risks and opportunities</p> <p>The BMO Board has approved a new corporate policy regarding environmental and social risk that will serve as the foundation for integrating environmental and social risk considerations across the Enterprise-Wide Risk Management Framework. This involves leveraging our current risk governance mechanisms and processes over the risk management lifecycle (identification, assessment, management, monitoring and reporting of environmental and social risk), supported by the bank's three-lines-of-defense operating model, as underpinned by the bank's Risk Culture.</p> <p>Executive compensation</p> <p>Sustainability is integrated into our executive compensation design. 25% of executive variable pay funding is tied to the completion of our Purpose and strategic objectives or to nonfinancial goals. Each year we include ESG in these Purpose and strategic objectives, as well as in the individual goals for our executives, to capture opportunities and manage risks in areas such as sustainable finance, climate change, human rights, and diversity, equity and inclusion.</p> <p>Employee and leadership communication</p> <p>The Sustainability Office prepares and distributes a quarterly sustainability newsletter to internal BMO teams and individuals, including the Board of Directors, with information about the sustainability initiatives across the bank, news about climate change and sustainable finance, and any related industry updates, and regulatory developments.</p> <p>Regular communications on sustainability topics are also distributed by the Capital Markets Institutional Research Group, Sustainable Finance team, BMO GAM Responsible Investing team, and Enterprise Risk team.</p>	<p>2021 Climate Report, Risk Management, pages 21-26</p> <p>2022 Proxy Circular, 2021 Performance and Compensation, pages 63-64</p> <p>2021 Climate Report, Capabilities, page 17</p> <p>2021 Climate Report, TCFD summary, pages 7-8</p>

5.2 *continued*

Building capabilities

In 2021, the BMO Climate Institute developed and delivered a Climate Change Essentials training course for all BMO employees (see Principle 4.1).

In 2022, the BMO Climate Institute plans to advance the bank's climate strategy and engagement in climate solutions by mapping decarbonization pathways and evaluating resilience measures for key sectors, convening business lines to stimulate new product development and deepen client relationships to progress along these pathways and incorporate resilience advance BMO's digital strategies on climate analytics, and collaborate with partners in industry, government and academia to promote innovation and solutions for financing decarbonization and adaptation to climate change.

We convene topic-specific working groups, along with internal partners across BMO's lines of business and corporate functions, to advance our sustainability strategy and approach, and to promote consistency and alignment across the enterprise. Working groups active in 2021 and 2022 include:

- Sustainable Bonds Working Group
- Climate Scenario Analysis Working Group
- Climate Leads Working Group
- BMO Climate Colab Forum
- BMO Circularity Strategy Working Group
- Sustainability and Climate Disclosure Working Group
- Environmental & Social Risk Working Group

5.3

**Governance Structure for
Implementation of the Principles**

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

Our sustainability governance structure is detailed in our response to Principle 5.1.

The Sustainability Council is kept apprised of PRB-related activities and was briefed on the topic in 2019, prior to signing the Principles, and in 2022, prior to the publication of this Reporting and Self-Assessment Template, a draft of which was reviewed by the Council.

Climate change

Setting targets for reducing financed emissions involved engaging with the lines of business for each sector to share details of our net-zero objectives, decarbonization pathways, and related industry initiatives and government policies. The Sustainability Office worked with the relevant lines of business to establish a consensus on BMO's sectoral decarbonization targets, which were submitted to the ESG Executive Forum for review and then approved by BMO's CEO. Two committees of the Board (the ACRC and the RRC) reviewed the targets as part of their oversight of disclosures on financed emissions in our 2021 Climate Report. Members of both the ACRC and the RRC engage on topics such as BMO's Net-Zero Ambition and our climate-related strategic objectives. The ACRC provides guidance on the strategy, action plans, performance objectives and targets for our operational footprint and sustainable finance commitments and ensures that management is adequately addressing opportunities associated with the transition to a lower-carbon economy. Finally, we are committed to having our transition plan reviewed by the Board annually starting in 2022.

Housing

Our BMO EMpower commitment is a leader-led initiative. The commitment was approved by the heads of the lines of business and the CEO of BMO Harris Bank. A report of our progress on this commitment is presented at each quarterly meeting of the CRA Oversight Committee (see Principle 2.3).

Our sustainable finance commitment for affordable housing was developed by the Sustainable Finance team.

2021 Sustainability Report,
Sustainability governance, page 75

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

BMO has in place a Governance Structure for Implementation of the Principles. We are engaging with our third-party assurance provider on PRB assurance, and we plan to obtain limited third-party assurance on our progress in meeting our targets in the future.

Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1

Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

This is our first PRB Reporting and Self-Assessment Template, which we are publishing within 18 months of signing the PRB. It reports on our progress in implementing the PRB. Our implementation of the Principles is ongoing, and we will provide an updated Reporting and Self-Assessment Template annually.

We participate in various industry initiatives and working groups, as well as research and peer benchmarking studies, to stay informed about current and emerging good practices related to sustainability and climate change (see Principle 4.1). For instance, our participation in the NZBA and PCAF working groups informed the establishment of our Net-Zero Ambition, which is based on the best available climate science, with the International Energy Agency's 2021 Net Zero by 2050 scenario as our primary benchmark. As we make progress on our Purpose and sustainability strategy, we are also accelerating progress on the SDGs.

We continue to provide disclosures that align with best practices and several reporting frameworks. We have supported and adopted the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) since 2018. Our 2021 Sustainability Reporting suite was prepared in accordance with the Global Reporting Initiative (GRI) Standard (core option) and GRI Financial Services Sector Disclosure, and integrates disclosures related to standards set by the Sustainability Accounting Standards Board (SASB) that are relevant to our operating groups and lending activities. We also complete an annual CDP Climate Change Questionnaire. We are monitoring developments in the sustainability disclosure landscape, including proposed requirements for regulatory disclosures, as well as potential requirements set out by the International Sustainability Standards Board in its Exposure Drafts. These initiatives will inform the evolution of our sustainability disclosure program.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

During our first 18 months as a PRB signatory, we have made good progress on implementing the Principles by working to understand and manage the negative and positive impacts associated with our business activities. We are engaging with our third-party assurance provider on PRB assurance, and we plan to obtain limited third-party assurance on our progress in meeting our targets in the future.

Forward-looking statements

Cautionary statement regarding forward-looking information.

Certain statements in this report are forward-looking statements under the United States *Private Securities Litigation Reform Act of 1995* (and are made pursuant to the 'safe harbour' provisions of such Act) and applicable Canadian securities legislation. These forward-looking statements include, but are not limited to, statements with respect to customer growth and support, sustainable lending and underwriting targets, net zero financed emissions targets, reducing operational GHG emissions and inclusivity and diversity. Forward-looking statements are typically identified by words such as "targeting", "committed", "commitment", "ambition", "goal", "expect", "plan", "will", "may", "aim to" and other similar expressions.

By their nature, forward-looking statements are based on various assumptions and are subject to inherent risks and uncertainties. Certain statements made in this report use a greater number and level of assumptions and estimates and are over longer time frames than many of our required disclosures. These assumptions and estimates are highly likely to change over time. While future events discussed in this report may be significant, any significance should not be read as necessarily rising to the level of materiality of the disclosures required under Canadian or U.S. federal securities laws. In addition, our climate risk analysis and net zero strategy remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. As a result, we expect that certain disclosures made in this report are likely to be amended, updated or restated in the future as the quality and completeness of our data and methodologies continue to improve.

We caution readers of this report not to place undue reliance on our forward-looking statements as the assumptions underlying such statements may not turn out to be correct and a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, commitments, ambitions, plans or goals expressed in the forward-looking statements. Such factors include, but are not limited to: the availability of comprehensive and high-quality GHG emissions data, the evolution of our lending portfolios over time, the need for active and continued participation of stakeholders (including enterprises, financial institutions and governmental and non-governmental organizations), the development and deployment of new technologies and industry-specific solutions, international cooperation, the development of regulations internationally, our ability to successfully implement various initiatives under expected time frames, the compliance of various third parties with our policies and procedures and legal requirements and those other factors set out on page 19 of BMO's 2021 Annual Report. We caution that the foregoing list is not exhaustive of all possible factors. These factors should be considered in addition to other uncertainties and potential events, and the inherent uncertainty of forward-looking statements.

BMO does not undertake to update any forward-looking statement, whether written or oral, that may be made, from time to time, by the organization or on its behalf, except as required by law.



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