

Principles for Responsible Banking

2024 Reporting and Self-Assessment



In February 2021, BMO joined the United Nations (UN) Principles for Responsible Banking (PRB).

The PRB provide a framework for sustainable banking.

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 impacts of our business operations, products and services on our stakeholders and the communities in which we operate.

This report presents our third PRB Reporting and Self-Assessment Template. Our implementation of the Principles is ongoing, and we will provide an updated Reporting and Self-Assessment Template annually.

In this report

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

Reporting period

Covers the fiscal year ended October 31, 2023

Data

Unless otherwise noted: as at October 31, 2023
may be rounded dollar amounts are in Canadian dollars

Our Disclosures

AR - [BMO Financial Group 2023 Annual Report to Shareholders](#)

CR - [2023 Climate Report](#)

GRI - [2023 GRI Content Index](#)

Proxy Circular - [2024 Management Proxy Circular](#)

SASB - [2023 SASB Disclosure](#)

SR - [2023 Sustainability Report and Public Accountability Statement Historical Climate Reports referenced in this disclosure can be found in the Archived Reports section of our Reporting webpage.](#)

¹ This report includes and refers to voluntary disclosures on sustainability and ESG topics, including impacts, climate-related risks and opportunities, that may not be, and are not required to be, incorporated into our required disclosures where we use a definition of materiality established under applicable securities laws for the purpose of complying with the disclosure rules and regulations promulgated by applicable securities regulators and applicable stock exchange listing standards.

PRINCIPLE 1: ALIGNMENT		
<p>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.</p>		
<p>1.1 Business model Describe your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio in terms of geographies, segments or by disclosing the number of customers and clients served.</p>	<p>Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America, with total assets of \$1.29 trillion as at October 31, 2023. We provide a broad range of personal and commercial banking, wealth management, global markets and investment banking products and services. We serve 13 million customers across Canada and the United States, and in select markets globally, through three integrated operating groups: Personal and Commercial Banking, BMO Wealth Management and BMO Capital Markets. We provide financing for clients operating in a variety of sectors, as listed in page 130 of our 2023 Annual Report.</p> <p>BMO is continuing to build a high-performing, digitally enabled, future-ready bank with engaged employees and a winning culture. We are focused on helping our customers make real financial progress, and on financing our clients' growth and innovation, while also investing in our workforce. Anchored by our Purpose, we are driven by our strategic priorities for growth, strengthened by our approach to sustainability and guided by our culture as we build a foundation of trust with our communities, and interested parties. BMO has a deep sense of purpose. We are leveraging our position as a leading financial services provider in order to create opportunities for our communities and our stakeholders to make positive, sustainable change – because we believe that success can and must be mutual. Our bold commitments for a thriving economy, a sustainable future and an inclusive society are reflected in our active, direct response to today's most pressing challenges.</p>	<p>SR, Who we are, page 6 AR, About BMO, page 22 AR, Table 5: Net Loans and Acceptances – Segmented Information, page 130</p>
<p>1.2 Strategy alignment Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks. Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these? <input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights <input checked="" type="checkbox"/> International Labour Organization fundamental conventions <input type="checkbox"/> UN Global Compact <input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples <input type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk – please specify which ones: <input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery – please specify which ones: Annual Statement Against Modern Slavery and Human Trafficking <input type="checkbox"/> None of the above</p>	<p>Our commitment to sustainability is embedded in our strategy and fundamental to our Purpose. We identify the most significant effects of our business operations, products and services on interested parties and the communities in which we operate. We take steps to manage our business in a manner that is consistent with our risk management- and commercial opportunity-aligned sustainability objectives, considering our impact on communities, society and interested parties. We apply a variety of sustainability practices and benchmarks to capture opportunities and manage risks in key areas such as sustainable finance, climate change, human rights, and diversity, equity and inclusion.</p> <p>Consistent with BMO's strategy for sustainable growth, in 2021, BMO was one of the first North American banks to sign the UN Principles for Responsible Banking, which focus on accelerating the rate of progress on realizing the SDGs. There are nine SDGs that are most relevant to the long-term success of our business, and where we believe we can make a positive and lasting impact. These SDGs and our related contributions are discussed on page 12 of our 2023 Sustainability Report.</p> <p>In support of the objectives of the Paris Climate Agreement, we established our Climate 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 2023, we integrated our Climate Ambition into BMO's strategic priorities, and we discuss the ways we are incorporating this into our strategic planning and execution in our 2023 Climate Report.</p>	<p>SR, Strategy, pages 9-18 CR, Strategy, pages 16-30 BMO's Statements on current issues</p>

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.																																																																																
<p>2.1 Impact Analysis Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):</p> <p>a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.</p>	<p>In 2021, we performed our initial impact analysis using the UNEP FI Portfolio Impact Analysis Tool for Banks version 2 (the Tool). The Tool helped us analyze our lending portfolio to identify the bank's most significant impact areas to consider for target-setting. In 2024, we reviewed our 2021 analysis, together with our annual GRI materiality assessment (discussed in 2023 Sustainability Report, page 20), and noted that there were no significant changes. Even considering our acquisition of Bank of the West in 2023, the sectoral breakdown of BMO's 2023 portfolio is largely consistent with the 2021 portfolio (see Principle 2.1b for portfolio composition). As a result, we concluded that the 2021 portfolio analysis remains applicable.</p> <p>The Tool captures BMO's exposures to specific industries in our primary countries of operation (Canada and the United States), as well as the scale of these exposures based on outstanding loan amounts. We evaluated the potential positive and negative impacts associated with our lending exposures (as at October 31, 2021). Our 2021 analysis covered our consumer banking activities (the Personal banking activities within our Personal and Commercial Banking operating group), small business and commercial banking activities (the Commercial Banking activities within our Personal and Commercial Banking operating group), and corporate banking activities (lending activities within our BMO Capital Markets operating group). Currently, our analysis does not include our investment banking business or our non-lending activities.</p>	<p>CR, Metrics and targets – Financed emissions, Appendix A pages 44-56</p>																																																																														
<p>b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products & services and by types of customers for consumer and retail banking portfolios.</p> <p>If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</p>	<p>We considered the composition of our portfolio in the analysis by assessing the sectors for which the scale of associated impact is high. We also considered the emissions intensity of sectors with higher levels of carbon emissions and leveraged our financed emissions analysis in our 2023 Climate Report.</p> <table border="1" data-bbox="655 873 1075 1471"> <thead> <tr> <th colspan="3">Our consumer banking analysis included nine leading products and services²:</th> </tr> <tr> <th></th> <th>2021*</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Chequing account</td> <td>62%</td> <td>66%</td> </tr> <tr> <td>Credit cards</td> <td>40%</td> <td>39%</td> </tr> <tr> <td>Consumer loans and overdraft</td> <td>39%</td> <td>39%</td> </tr> <tr> <td>Savings account</td> <td>39%</td> <td>43%</td> </tr> <tr> <td>Vehicle-related loans</td> <td>13%</td> <td>11%</td> </tr> <tr> <td>Home loans/mortgages</td> <td>8%</td> <td>8%</td> </tr> <tr> <td>Certificates of deposit</td> <td>8%</td> <td>9%</td> </tr> <tr> <td>Education-related loans</td> <td>1%</td> <td>1%</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> <table border="1" data-bbox="1075 873 1570 1471"> <thead> <tr> <th colspan="3">Our small business and commercial banking analysis included the top 30 North American Industry Classification System (NAICS) codes sector exposures, summarized in 10 sectors, by per cent of lending portfolio:</th> </tr> <tr> <th></th> <th>2021*</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Commercial real estate</td> <td>17%</td> <td>19%</td> </tr> <tr> <td>Financial</td> <td>15%</td> <td>12%</td> </tr> <tr> <td>Service industries</td> <td>10%</td> <td>9%</td> </tr> <tr> <td>Retail trade</td> <td>6%</td> <td>7%</td> </tr> <tr> <td>Agriculture</td> <td>4%</td> <td>4%</td> </tr> <tr> <td>Transportation</td> <td>5%</td> <td>3%</td> </tr> <tr> <td>Wholesale trade</td> <td>2%</td> <td>3%</td> </tr> <tr> <td>Manufacturing</td> <td><1%</td> <td>1%</td> </tr> <tr> <td>Government</td> <td>1%</td> <td><1%</td> </tr> <tr> <td>Oil & Gas</td> <td><1%</td> <td>NA</td> </tr> <tr> <td>Construction</td> <td>NA</td> <td><1%</td> </tr> </tbody> </table>	Our consumer banking analysis included nine leading products and services ² :				2021*	2023	Chequing account	62%	66%	Credit cards	40%	39%	Consumer loans and overdraft	39%	39%	Savings account	39%	43%	Vehicle-related loans	13%	11%	Home loans/mortgages	8%	8%	Certificates of deposit	8%	9%	Education-related loans	1%	1%										Our small business and commercial banking analysis included the top 30 North American Industry Classification System (NAICS) codes sector exposures, summarized in 10 sectors, by per cent of lending portfolio:				2021*	2023	Commercial real estate	17%	19%	Financial	15%	12%	Service industries	10%	9%	Retail trade	6%	7%	Agriculture	4%	4%	Transportation	5%	3%	Wholesale trade	2%	3%	Manufacturing	<1%	1%	Government	1%	<1%	Oil & Gas	<1%	NA	Construction	NA	<1%	<p>CR, Metrics and targets – Financed emissions, Appendix A pages 44-56</p>
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² Total does not add up to 100% because customers may hold multiple products and services.

PRINCIPLE 2: IMPACT AND TARGET SETTING				
b) Portfolio composition (continued)	Our corporate banking analysis included the top 30 NAICS codes sector exposures, summarized in 10 sectors by per cent of lending portfolio:			
		2021*	2023	
	Financial	28%	34%	
	Commercial real estate	19%	17%	
	Utilities	12%	14%	
	Service industries	4%	5%	
	Oil and gas	10%	3%	
	Manufacturing	5%	3%	
	Mining	NA	1%	
	Transportation	1%	1%	
	Wholesale trade	<1%	1%	
	Agriculture	<1%	NA	
Communications	<1%	1%		
c) Context: What are the main challenges and priorities related to sustainable development in the main countries/ regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.	The Tool identified climate stability and housing as the priority areas of environmental, social, and economic needs and challenges in Canada and the United States. These areas are also identified as priority sustainability topics in our 2023 materiality assessment under “Climate change” and “Financial inclusion”. The materiality assessment process is detailed on page 20 of the 2023 Sustainability Report. See Principle 4.1 on stakeholders we engage.			<p>SR, Convening and collaboration for sustainability, page 17</p> <p>SR, Determining our priority sustainability topics, page 20</p> <p>SR, Engaging interested parties, page 21</p> <p>CR, Convening for climate action, pages 28-30</p>
Based on these first three elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.	Our analysis re-confirmed 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).			

* The impact analysis was performed in 2021, using 2021 portfolio composition, as disclosed. 2023 figures have also been included for reference.

PRINCIPLE 2: IMPACT AND TARGET SETTING		
<p>d) Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in 2.2a.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.</p>	<p>Climate change</p> <p>In alignment with our Climate Ambition, in 2021, we began to quantify the GHG emissions associated with our lending activities in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard for those sectors in our portfolio where climate impacts are concentrated, where we have significant lending exposure, where sufficient reliable data was available, and where we see higher levels of stakeholder interest.</p> <p>We analyze the Scope 1 and 2 emissions associated with our business and government lending portfolio, which includes our business banking, commercial banking and capital markets lending activity, including project finance loans, as at the end of fiscal year. This analysis is intended to provide information on the intensity direction and emissions concentrations in our portfolio.</p> <p>We continued to expand the scope of our sectoral financed emissions and our decarbonization pathway modelling in 2023, building on the work done in 2021 and 2022 to include additional carbon-intensive sectors identified in the UNEP FI Guidelines for Climate Target Setting for Banks. In 2023, we focused on the Canadian commercial real estate sector. We estimate that we have developed sector-specific financed emissions quantification methodologies and evaluated decarbonization pathways and target-setting approaches for sectors representing approximately 70% of our business and government lending portfolio emissions. These sectors represent a significant majority of our lending portfolio’s financed emissions as required by the NZBA, and we will continue to deepen our analysis of these sectors in future disclosures which could include coverage of additional segments of these sectors. Our annual financed emissions and progress against the targets we set in 2021 are disclosed in our 2023 Climate Report.</p> <p>Housing</p> <p>BMO continues to look for opportunities to accelerate positive change through lending, investing, giving and engagement in our local communities, striving to remove barriers to inclusion in the financial services industry. BMO home loans and mortgages to low-to-moderate income or minority homebuyer’s and financing in support of affordable housing projects, through the initiatives described below, have the most significant contribution to advancing our positive impact related to accessible housing.</p> <p>In the United States, BMO EMpower 2.0 is our five-year plan reinforcing BMO’s focus on increasing home ownership and supporting the growth of small businesses in low-to-moderate income (LMI) neighborhoods and communities of color. It also strengthens these communities through investments and lending to support affordable housing and economic development as well as philanthropic giving We’ve committed more than US\$40 billion in funding across the United States, with over US\$16 billion targeted for California. Prior to the launch of the new BMO EMpower 2.0 plan in April 2023, BMO EMpower surpassed its initial commitment of US\$5 billion in funding, reaching a total of US\$6.3 billion in loans and investments by March 2023 – 2.5 years after its launch. BMO EMpower 2.0 reinforces BMO’s focus on increasing home ownership in LMI neighbourhoods and communities of colour by committing US\$7.5 billion over five years for LMI and minority homebuyers and more than US\$15 million in support for local not for profits and other organizations working to increase access to affordable homeownership and housing.</p> <p>During 2023, BMO has also provided US\$6.1 million in down payment assistance to support homebuyers throughout the bank’s 22 state footprint. Included in the US\$6.1 million is US\$3.3 million via BMO’s Welcome Home Grants (Special Purpose Credit Program) which helped nearly 400 minority borrowers or borrowers in minority communities, achieve the dream of homeownership.</p>	<p>CR, Metrics and targets – Financed emissions, pages 44-50</p> <p>SR, Financial inclusion – BMO EMpower, pages 32-33</p> <p>SR, Sustainable finance, pages 39-41</p> <p>BMO EMpower - Our Impact</p> <p>BMO EMpower Infographic</p>

PRINCIPLE 2: IMPACT AND TARGET SETTING

Housing (cont.)

In addition to progress against financial targets, as of April 30th, 2024, one year into the BMO EMpower 2.0 commitment, BMO has financed 4,210 affordable housing units for rent spanning over 71 projects throughout the United States.

In Canada, BMO made a \$12 billion commitment in 2021 to finance affordable and accessible housing over a ten-year period 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. By the end of fiscal year 2023, we had provided \$7.2 billion in financing in line with these goals, or 60% of our commitment. We report on progress toward this commitment annually in our Sustainability Report.

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope: Yes In progress No

Portfolio composition: Yes In progress No

Context: Yes In progress No

Performance measurement: Yes In progress No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Our two significant impact areas are climate and affordable housing, which correlate with PRB impact areas climate change mitigation and financial health & inclusion.

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication

Up to 12 months prior to publication

Up to 18 months prior to publication

Longer than 18 months prior to publication

2.2 Target Setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) **Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and 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.

Climate change

In 2021, in-line with our NZBA commitment, we began to model decarbonization pathways for select sectors in our portfolio and developed an approach to target-setting that is aligned with the UNEP FI Guidelines for Climate Target Setting for Banks. We set intermediate targets for reducing our financed emissions by 2030, in alignment with SDG 13 Climate Action objectives and Canadian and U.S. public policy.

We evaluated 29 climate scenarios to identify the most appropriate and credible benchmarks for our focus sectors, considering alignment with NZBA guidelines for a net-zero outcome by 2050, also known as 1.5C. BMO discusses our approach to target-setting for four key sectors: oil and gas, power generation, motor vehicles, and residential mortgages, in accordance with NZBA in detail in our 2021 Climate report. We have continued to expand our scope of sectoral financed emissions and our decarbonization pathway modelling annually to include additional carbon-intensive sectors identified in the UNEP FI Guidelines for Climate Target Setting for Banks. We expanded the scope of our sectoral financed emissions to include iron and steel production (global), aluminum production (global), cement manufacturing (global), and agriculture (global) in 2022, and the commercial real estate sector (Canada) in 2023. Detailed narratives of the decarbonization pathway modelling for each sector are discussed in the respective annual Climate Reports. We estimate that we have developed sector-specific financed emissions quantification approaches and evaluated decarbonization pathways and target-setting approaches for sectors representing ~70% of portfolio emissions. These sectors represent a significant majority of our lending portfolio's financed emissions as required by the NZBA. BMO will continue to evaluate potential new sectors and disclose our decarbonization pathway modelling for new sectors identified in subsequent reporting..

CR, Metrics and targets – Financed emissions, pages 44-50

CR 2022, Metrics and targets – Financed emissions, pages 37-49

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

SR, Sustainable finance, pages 39-47

SR, Financial inclusion – BMO EMpower, pages 32-33

[News Release – BMO](#)

PRINCIPLE 2: IMPACT AND TARGET SETTING														
	<p>Housing</p> <p>In the U.S., federally insured depository institutions have an obligation to support the credit needs of the communities they are in, including low-to-moderate income communities. BMO has conducted listening sessions with community partners who have shared that affordable housing is needed within their communities. The process to determine the targets was based upon the combined legacy BMO and Bank of the West residential home purchase and home improvement mortgage units to LMI and minority borrowers and in LMI and majority-minority census tracts and represents a 25% increase over baseline performance from 2019 – 2021.</p> <p>BMO EMpower 2.0 is our five-year plan to help address key barriers for minority businesses, communities and families. We’ve committed more than US\$40 billion in funding across the United States, with over US\$16 billion targeted for California. Our BMO EMpower 2.0 program was established in April 2023 after the inaugural EMpower program surpassed its initial US\$5 billion in funding in March 2023. The program aims to address key barriers confronting minority businesses, communities and families in the United States. Many of the BMO EMpower 2.0 initiatives, such as; home mortgage lending, community development loans & investments, minority commercial lending, small business lending, and philanthropy, contribute to BMO’s Community Reinvestment Act (CRA) obligations.</p> <p>In 2021, announced a \$12 billion commitment to finance affordable housing over a ten-year period, developed 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. Part of BMO’s commitment will support the financing of affordable housing for Indigenous Peoples, both on and off-reserve.</p> <p>Our housing-related targets are in line with SDG 11 Sustainable Cities and Communities.</p>													
<p>b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.</p> <p>If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like the one on the right including the impact area, all relevant indicators and the corresponding indicator codes.</p> <p>In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.</p>	<p>Climate change</p> <p>Our financed emissions reduction targets have a baseline of 2019.</p> <table border="1"> <thead> <tr> <th data-bbox="657 867 1115 906">Annex Indicator</th> <th data-bbox="1115 867 1570 906">Response</th> </tr> </thead> <tbody> <tr> <td data-bbox="657 906 1115 964">A.1.1 Climate strategy: Does your bank have a climate strategy in place?</td> <td data-bbox="1115 906 1570 964">Yes, our Climate Ambition and commercialization strategy.</td> </tr> <tr> <td data-bbox="657 964 1115 1078">A.1.2 Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?</td> <td data-bbox="1115 964 1570 1078">Yes, our Climate Ambition is to be our clients’ lead partner in the transition to a net-zero world – targeting net-zero financed emissions in our lending by 2050.</td> </tr> <tr> <td data-bbox="657 1078 1115 1263">A.1.4 Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?</td> <td data-bbox="1115 1078 1570 1263">Yes, BMO has analyzed parts of its lending portfolio in terms of financed emissions from carbon-intensive sectors in our portfolio. We have also analyzed technology mix within our portfolio of power generation borrowers. More information is found on pages 44-50 and 52-56 of our 2023 Climate Report.</td> </tr> <tr> <td data-bbox="657 1263 1115 1425">A.1.5 Business opportunities and financial products: Has your bank developed financial products tailored to support clients’ and customers’ reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?</td> <td data-bbox="1115 1263 1570 1425">Yes, we mobilize capital to clients pursuing sustainable outcomes, through green, social and sustainable lending, underwriting, advisory services, global market capabilities and investment. More information is found on pages 21-27 of our 2023 Climate Report.</td> </tr> <tr> <td data-bbox="657 1425 1115 1510">A.4.1 Reduction of GHG emissions: how much have the GHG emissions financed been reduced?</td> <td data-bbox="1115 1425 1570 1510">Progress against the financed emissions targets we set in 2021 (baseline of 2019) is disclosed in Appendix A of our 2023 Climate Report.</td> </tr> </tbody> </table>	Annex Indicator	Response	A.1.1 Climate strategy: Does your bank have a climate strategy in place?	Yes, our Climate Ambition and commercialization strategy.	A.1.2 Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes, our Climate Ambition is to be our clients’ lead partner in the transition to a net-zero world – targeting net-zero financed emissions in our lending by 2050.	A.1.4 Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes, BMO has analyzed parts of its lending portfolio in terms of financed emissions from carbon-intensive sectors in our portfolio. We have also analyzed technology mix within our portfolio of power generation borrowers. More information is found on pages 44-50 and 52-56 of our 2023 Climate Report.	A.1.5 Business opportunities and financial products: Has your bank developed financial products tailored to support clients’ and customers’ reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes, we mobilize capital to clients pursuing sustainable outcomes, through green, social and sustainable lending, underwriting, advisory services, global market capabilities and investment. More information is found on pages 21-27 of our 2023 Climate Report.	A.4.1 Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	Progress against the financed emissions targets we set in 2021 (baseline of 2019) is disclosed in Appendix A of our 2023 Climate Report.	<p>CR, Strategy, pages 16-30</p> <p>CR, Metrics and targets – Financed emissions, Appendix A pages 44-56</p> <p>SR, Sustainable finance, pages 39-47</p> <p>SR, Financial inclusion – BMO EMpower, pages 32-33</p>
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PRINCIPLE 2: IMPACT AND TARGET SETTING		
	<p>Housing Our BMO EMpower 2.0 capital commitments related to affordable housing have a baseline of April 1, 2023, and our affordable and accessible housing finance commitment in Canada has a baseline of 2021.</p>	
<p>c) SMART targets: Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which key performance indicators (KPIs) are you using to monitor progress towards reaching the target? Please disclose.</p>	<p>Climate change These targets are discussed in our 2023 Climate Report and include:</p> <ul style="list-style-type: none"> • Upstream oil and gas lending portfolio (global) 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 Alliance and the Global Methane Pledge adopted by the Government of Canada. • Upstream oil and gas lending portfolio (global) 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 decision to wind-down its non-Canadian investment and corporate banking energy business which was announced in 2020. • Power generation lending portfolio (Canada) Scope 1 emissions: Targeting a carbon intensity of 0.06 tCO₂/MWh for our Canadian portfolio by 2030, 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. <p>Housing We include targets related to the availability, accessibility and affordability of housing in our BMO EMpower 2.0 program in the United States and our sustainable finance strategy in Canada:</p> <ul style="list-style-type: none"> • US\$16.5 billion committed to growing small businesses, including lending and providing training and support to small businesses in underrepresented communities in the United States by 2028. • US\$17.5 billion committed to community investment in affordable housing and neighbourhood revitalization in the United States by 2028 • US\$7.5 billion committed to advancing home ownership in low-income and minority communities in the United States by 2028 • \$12 billion committed to financing affordable and accessible housing over a ten-year period in Canada by 2030. 	<p>CR, Appendix A pages 52-56 SR, Sustainable finance, pages 39-47 SR, Financial inclusion – BMO EMpower, pages 32-33</p>

PRINCIPLE 2: IMPACT AND TARGET SETTING		
<p>d) Action plan: Which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	<p>Climate change</p> <p>The NZBA requires that signatories publish a high-level transition plan with an overview of the categories of actions expected to be undertaken to meet their targets and an approximate timeline. Our 2023 Climate Report details our high-level transition plans with implementation (products, services, policies, activities, or decision-making) and engagement (efforts to educate, advise, and/or collaborate with clients, industries, and governments on the transition) strategies. These strategies and actions have been documented in a board-level reviewed transition plan, and a summary for each of the sectors for which we have established targets are in the 2023 Climate Report. Regulatory climate-related disclosure regimes, including the Guideline B-15 – Climate Risk Management of the Office of the Superintendent of Financial Institutions (OSFI B-15) also require development and disclosure of climate-related transition action plans. We are in the process of refreshing our transition plans with reference to these requirements and guidelines published by the Glasgow Financial Alliance for Net Zero (GFANZ).</p> <p>Housing</p> <p>Our BMO EMpower 2.0 commitment is our bank’s prioritization of affordable housing in the U.S. through its CRA funding that includes community development investments, community development loans and mortgage loans. To further affordable home ownership, we’ve launched several initiatives in 2023, including:</p> <ul style="list-style-type: none"> • Expanded the Welcome Home Grant (Special Purpose Credit Program) down payment program across the United States, to help improve access to home ownership for minority communities. • Launched a new Homebuyer Assistance Program for graduates of Historically Black Colleges and Universities and Predominately Black Institutions in partnership with the Association of Real Estate Brokers (NAREB), the premier network of Black real estate professionals. <p>BMO has established strategic partnerships with roughly 100 non-profit partners (housing agencies, diverse real estate groups, faith based partners, etc.) to increase homeownership in minority communities, develop affordable housing and support financial stability throughout the bank’s footprint. Other highlights from the programs are described in the 2023 Sustainability Report.</p> <p>In Canada, BMO made a \$12 billion commitment in 2021 to finance affordable and accessible housing over a ten-year period 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. By the end of fiscal year 2023, we had provided \$7.2 billion in financing in line with these goals, or 60% of our commitment. We report on progress toward this commitment annually in our Sustainability Report. This is aligned with the commitment to enhance housing accessibility in Canada through eligible projects such as continuing to provide innovative financing options for First Nations to build, buy or renovate a house on-reserve through our On-Reserve Housing Loan Program.</p> <p>We recognize the interconnectedness of the SDGs and the objectives of the Paris Climate Agreement, as well as the potential negative impacts of pursuing our targets related to climate change and housing. We are taking action to help mitigate these impacts with an aspiration that the net benefit of these initiatives will be positive. For instance, we have identified potential indirect impacts of climate change. The social and economic impacts of climate change are not experienced equally by our clients or by the communities in which we operate. The BMO Climate Institute and the Fair and Responsible Banking team are leading an analysis to provide insight into how socio-economic vulnerability can be impacted by extreme heat, flood risk, and access to natural spaces. This analysis will be one input into our decisions regarding climate and social related initiatives, which is discussed further in our 2023 Climate Report.</p>	<p>CR, Metrics and targets – Financed emissions, pages 41-50</p> <p>CR, Climate resilience and social inclusion, page 20</p> <p>SR, Sustainable finance, pages 39-47</p> <p>SR, Financial inclusion – BMO EMpower, pages 32-33</p>

PRINCIPLE 2: IMPACT AND TARGET SETTING		
Self-assessment summary		
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing?		
	Climate change	Housing
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<p>2.3 Target implementation and monitoring For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.</p>	<p>Climate change For each of the sectors we set decarbonization targets for, we continue to disclose financed emissions in line with the PCAF Standard and other widely accepted metrics, such as emissions intensity - in order to monitor our progress. In 2023, we established our Climate Commercialization Working Group, a sub-committee of the ESG Executive Committee, to coordinate climate finance matters related to our Climate Ambition. Our Capital Markets group has established a foundation of energy transition and climate-related products and services, including those delivered through the Energy Transition Group, Sustainable Finance team and BMO Radicle to support progress towards our set targets. BMO's climate-related product offerings and services, along with the associated impact on our priority topics, sectors, and targets, are discussed on page 22-27 of our Climate Report.</p> <p>We also discuss our implementation strategy for products, services, policies, activities, or decision-making that advance the achievement of each of BMO's financed emissions targets separately, as well as our engagement strategy with stakeholders in Appendix A of our Climate Report. Some of the key actions discussed include:</p> <ul style="list-style-type: none"> • Developing sustainable finance products, including transition bonds, with financing contingent on decarbonization KPIs • Tracking energy transition financing • Pursuing clean power generation financing opportunities • Working with clients to advise on, and finance, current and new clean energy generation and associated technologies <p>As part of our target monitoring initiatives, we advanced our climate-related data and analytics program focused on building technology solutions to optimize the acquisition, identification and utilization of climate and sustainability data throughout the bank. This project included the development of a multi-year roadmap to build our data and analytics capabilities to enable risk reporting, inform decisions, and track our progress on internal climate commercialization goals and other climate-related metrics.</p>	<p>CR, Climate Partnership and commercialization, pages 22-27 CR, Appendix A, page 52-56 SR, Sustainable finance, pages 39-47 SR, Financial inclusion - BMO EMpower, pages 32-33 SR, Financial inclusion - Indigenous communities in Canada, page 30</p>

PRINCIPLE 2: IMPACT AND TARGET SETTING		
	<p>Housing</p> <p>In the U.S., federally insured depository institutions have an obligation to support the credit needs of the communities they are in, including low-to-moderate income communities. BMO has conducted listening sessions with community partners who have shared that affordable housing is needed within their communities. The process to determine the targets was based upon the combined legacy BMO and Bank of the West residential home purchase and home improvement mortgage units to LMI and minority borrowers and in LMI and majority-minority census tracts and represents a 25% increase over baseline performance from 2019 - 2021.</p> <p>Goals/KPIs are tracked and monitored via monthly dashboard reporting as well as a quarterly oversight committee where members from all contributing LOB participate to review results and evaluate strategy. Measures contributing to this progress are discussed in our 2023 Sustainability Report.</p> <p>We implemented an internal data collection process to measure and monitor progress on our \$12 billion commitment to finance affordable housing 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. As of fiscal year-end 2023, BMO has directed \$7.2 billion in capital to affordable and accessible housing through authorized lending to clients with commercial real estate developments that meet the definition of 'affordable housing' set out by CMHC, authorized lending for BMO's On-Reserve Housing Loan Program which provides financing for eligible individuals wishing to build or purchase a personal resident located on reserve, and securitizing affordable mortgage pools under the Canada Mortgage Bond program.</p>	

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.		
<p>3.1 Client engagement</p> <p>Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p> <p>Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p> <p>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). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.</p>	<p>We have policies and programs in place that promote sustainable practices, as discussed in disclosures related to our priority sustainability topics, which include:</p> <ul style="list-style-type: none"> • BMO's Purpose to Boldly Grow the Good in business and life – see pages 10-15 of our 2023 Annual Report, and pages 7-8 of our 2023 Sustainability Report • Financial inclusion – see pages 29-36 of our 2023 Sustainability Report • Sustainable finance – see pages 39-47 of our 2023 Sustainability Report • Climate change – see our 2023 Climate Report (with specific reference to pages 21-27 and 38) • Environmental and social risk management – see pages 116-118 of our 2023 Annual Report, pages 73-75 of our 2023 Sustainability Report, and pages 31-40 of our 2023 Climate Report • Business conduct – see pages 79-81 of our 2023 Sustainability Report, and also BMO's Code of Conduct on our website • Human rights – see pages 82-83 of our 2023 Sustainability Report, and our Statement on Human Rights. <p>BMO's risk policies and processes related to sensitive sectors from an environmental and social risk standpoint represent a comprehensive, risk-based approach that underscores our commitment to sound and prudent business practices while complying with the laws and regulations of the markets we serve. We do not prohibit financing to sectors. Our Environmental and Social Risk Financing Guideline provides that individualized risk-based assessments be completed on companies, including credit risk, environmental and social risk, and reputation risk, and commercial considerations. We have developed sector-specific Environmental & Social Risk Rating (ESRR) assessment templates that apply to petroleum, mining and utilities and power generation clients. These templates incorporate climate-related information about each client and in 2024 we began to pilot a Client Transition Action Readiness Assessment into these ESRR templates. This Assessment involves a thorough analysis of the key requisites for success in our clients' climate transition planning as described at page 38 of our 2023 Climate Report.</p>	<p>As listed to the left.</p>

PRINCIPLE 3: CLIENTS AND CUSTOMERS		
<p>3.2 Business opportunities Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on.</p>	<p>BMO aims to foster a more sustainable world with our banking practices, by mobilizing financial resources to support sustainability and by advancing our Climate Ambition. Examples include:</p> <ul style="list-style-type: none"> • The BMO Climate Institute is an enterprise resource that coordinates climate action across the bank and externally. It is a centre of expertise that bridges science, policy, finance, and economics to help accelerate climate change solutions. It supports our clients by engaging with industry, the public sector, academia and investors, and serves as a resource on decarbonization, resilience, social impact, and biodiversity. The BMO Climate Institute focuses on four key themes: decarbonization, resilience, social impact, and biodiversity, which is achieved through the key strategic pillars of thought leadership, tools & capabilities, and capacity building. • BMO’s Energy Transition and Sustainable Finance groups, supported by the BMO Climate Institute, provide thought leadership at the intersection of climate change and finance, allowing us to be a premier advisor to clients and partner on climate risk and opportunity. In 2023, BMO surpassed our enterprise-wide commitment to mobilize \$300 billion in capital to support companies pursuing sustainable outcomes by 2025, such as clean transportation, low-carbon energy, green buildings, waste management and sustainable agriculture as well as societal benefits to ensure a just transition for stakeholders with different vulnerabilities to climate change. The Energy Transition Group provides knowledge, tools and support to BMO’s industry groups as they engage with clients on their energy transition endeavours. • The BMO Impact Investment Fund aims to find and scale impactful solutions that facilitate the achievement of our corporate clients’ sustainability goals across three themes: decarbonization, circular economy and sustainable food and agriculture. • The Responsible Investment team at BMO Global Asset Management (BMO GAM) helps our clients meet their investment objectives and general long-term value, while also building a future that is more sustainable, inclusive and secure for everyone. As both an institutional investor and a steward of capital, BMO GAM advances the principles of responsible investing and prioritizes two key systemic risks: climate action and social equality. • BMO acquired Radicle Group Inc. (now called BMO Radicle) in December 2022. BMO Radicle’s team of over 100 carbon professionals brings deep technical expertise that enables us to provide sustainability solutions for our clients across Canada, the U.S. and Australia. 	<p>CR, Capabilities, page 19 CR, Client partnerships and commercialization, page 21-27 SR, Sustainable finance, pages 39-47</p> <p>BMO GAM’s 2023 Responsible Investment Annual Report</p>

PRINCIPLE 4: STAKEHOLDERS		
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.		
<p>4.1 Stakeholder identification and consultation Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders you have identified as relevant in relation to the impact analysis and target setting process?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p> <p>Please describe which stakeholders you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.</p>	<p>We engage our stakeholders through regular, open and meaningful communication. A snapshot of how we engaged on topics of climate change and financial inclusion is noted on page 21 of the 2023 Sustainability Report. We also work with industry, government, academia and investors to understand and address the issues that affect our business and the world around us. These groups are listed on page 17 of the 2023 Sustainability Report, as well as pages 28-30 of the 2023 Climate Report.</p> <p>A pillar of our Climate Ambition is to convene stakeholders for climate action. For example, in 2023, BMO, chaired the Canadian Bankers Association’s Environmental Specialists Group and Climate Scenario Analysis Working Group to participate in advocacy efforts around privacy rules, environmental and social risk, climate change, sustainable finance, and disclosure regulation. BMO GAM engages with policymakers to encourage action on climate change. In 2023, BMO GAM submitted comment letters on various environmental disclosure standards, such as draft guidance from the TNFD, the U.S. Environmental Protection Agency’s methane standards for the oil and gas industry, and the International Sustainability Standards Board Consultation on Agenda Priorities.</p> <p>BMO U.S. also partnered with the National Association of Real Estate Brokers, the premier network of black professionals which includes a down payment assistance program supporting graduates of historically Black colleges and universities and predominately Black institutions. This program is part of the bank’s goal to fund US\$7.5 billion to improve access to home ownership, including expanding BMO’s Welcome Home Grants. More than half of this funding is expected to benefit people and members of communities of colour.</p> <p>BMO is also a member of the PRB Core Group working to further develop the PRB. On behalf of and in consultation with the community of PRB signatories, the role of the Core Group is to lead the process to develop the 2030 Vision for PRB, further develop the PRB framework in line with evolving context and expectations, and guide members’ delivery on their commitments and targets in years 5-10 of their PRB journey.</p>	<p>SR, Engaging interested parties, page 21</p> <p>SR, Convening and collaboration for sustainability, page 17</p> <p>CR, Convening for climate action, pages 28-30</p>

PRINCIPLE 5: GOVERNANCE & CULTURE		
We will implement our commitment to these Principles through effective governance and a culture of responsible banking		
<p>5.1 Governance Structure for Implementation of the Principles</p> <p>Does your bank have a governance system in place that incorporates the PRB?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No</p> <p>Please describe 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 the effective implementation of the Principles. This includes information about:</p> <ul style="list-style-type: none"> • which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to), • details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets. 	<p>Each standing committee of BMO's Board of Directors has a role to play in overseeing aspects of BMO's sustainability program that fall within their purview. Further details on Board oversight of sustainability- climate change-related topics and frequency of meetings can be found in our 2023 Sustainability Report and 2023 Climate Report.</p> <p>Responsibility for the oversight of sustainability is included in the mandates of our Board of Directors and each standing committee has responsibility for the oversight of sustainability that fall within its purview. BMO's General Counsel is the Executive Committee Sponsor for Sustainability and Chair of the BMO Climate Institute.</p> <p>The General Counsel, who reports to the CEO, is accountable for BMO's exposure to legal and regulatory risk and reputation risk, as well as our business conduct and ethics, procurement and sustainability, including climate change. The ESG Executive Committee chaired by the General Counsel, provides oversight and leadership for our sustainability strategy, including our Climate Ambition. The committee provides enterprise coordination that links our climate expertise, risk evaluations and commercialization strategy, enabling an agile and market-responsive approach to risks and opportunities, in accordance with the bank's strategy and consistent with its applicable legal and regulatory obligations.</p> <p>BMO's Chief Sustainability Officer (CSO) serves as the Secretary of this committee. In addition, BMO has a Sustainability Council, which is a leadership forum for dialogue on our sustainability efforts. Management committees and forums comprised of senior management oversee and support a coordinated enterprise-wide approach to sustainability governance. BMO's CSO reports to the General Counsel and leads the Sustainability Office, which includes the BMO Climate Institute. They support the General Counsel's mandate and lead sustainability and climate-related strategy development, bank-wide initiatives on environmental and social risk in partnership with Enterprise Risk and Portfolio Management and others, and the climate change commercialization strategy jointly with Corporate Strategy-Enterprise Transformation. The Sustainability Office also leads sustainability-related disclosure, operational sustainability strategy and supports Finance with its sustainability-focused investor relations, and Treasury and our Sustainable Finance teams with our approach to sustainable finance.</p> <p>BMO's CRA Oversight Committee meets quarterly to discuss key strategic, operational and governance matters related to the performance of BMO Bank N.A. on CRA-related metrics, such as BMO EMpower.</p> <p>Finally, the Sustainable Finance team is responsible for BMO's affordable housing commitment in Canada.</p> <p>Sustainability is integrated into our executive compensation design. 25% of executive variable pay funding is tied to the achievement of our Purpose and strategic objectives, which are non-financial goals. Each year we include sustainability in our 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, and diversity, equity and inclusion.</p>	<p>SR, Sustainability governance, page 72</p> <p>CR, Governance, page 10-15</p> <p>Proxy Circular, Executive compensation, pages 55-56, 64-65, 68, 71, 73, 75, 77</p>

PRINCIPLE 5: GOVERNANCE & CULTURE**5.2 Promoting a culture of responsible banking**

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

BMO fosters a culture of responsible banking in the following ways:

Sustainability risks and opportunities

In 2022, BMO introduced and implemented a new Environmental & Social Risk Corporate Policy (E&SR CP). The E&SR CP provides the foundation for BMO to more fully integrate environmental and social risk considerations into and across our existing Enterprise-wide Risk Management Framework (ERMF), as well as increase our ability to identify, assess, manage, monitor, and report on environmental and social risk. The E&SR CP further cements the importance the Bank places on the management of E&S risks, including by outlining the board's expectation regarding integration of environmental and social risk considerations across the ERMF and noting how E&S risks will be articulated in existing policy documents.

Employee and leadership communications

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. 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.

Building capabilities

Training and education are critical to delivering our Climate Ambition. In 2021, the BMO Climate Institute developed and delivered a Climate Change Essentials training course for BMO employees and the board of directors. This foundational learning has been completed by more than 30,000 employees. We have developed and are executing an enterprise-wide training roadmap to equip our employees with the knowledge and expertise to effectively engage clients on their net-zero journeys. In addition to our foundational Climate Change Essentials module, we are rolling out a comprehensive climate finance training program for 2,000+ commercial bank employees. The BMO Climate Institute Fellowship Program was launched in 2022 to enable select BMO employees to work with the BMO Climate Institute on a part-time basis and develop expertise related to climate and sustainability. This Program has expanded annually and in F'24 was launched across the bank with representation across operating groups and corporate areas.

In 2023, we developed an internal Climate Products and Services webpage to help our bankers better understand and navigate opportunities to support our clients' needs by providing innovative and complementary products. The intranet page is updated quarterly to keep employees informed of the many ways we can help advance our clients' net-zero transitions.

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 2023 include:

- BMO Climate CoLab
- Climate Commercialization Working Group
- Climate Scenario Analysis Working Group
- Sustainable Bonds Working Group
- Sustainable Finance and Climate Directive Working Group
- Sustainability and Climate Disclosure Working Group
- Climate and Sustainability Thought Leadership Forum

SR, Environmental and social risk management, pages 73-75

CR, Capabilities, page 19-20

SR, Climate Change, page 48

PRINCIPLE 5: GOVERNANCE & CULTURE**5.3 Policies and due diligence processes**

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Environmental and social risk management

The Enterprise Risk & Portfolio Management and Sustainability teams work with the lines of business and Corporate Services to manage BMO's E&S risk and achieve our sustainability goals. They focus on integrating E&S risk into BMO's operational and business decision-making processes, including financing and lending activities, and the procurement of goods and services. The teams regularly report to management committees, forums and board committees on key developments in sustainability and climate change.

We regularly benchmark our sustainability practices against international standards, including the Performance Standards on Environmental and Social Sustainability issued by the International Finance Corporation and the Guiding Principles on Business and Human Rights set out by the United Nations. To be better informed about emerging E&S risks, we participate in forums and consultations with other financial institutions related to E&S risk management and disclosure. We also monitor and respond to climate-related litigation trends and the rapidly evolving rule-making activities of regulatory and supervisory authorities.

Human rights

Our approach to managing human rights is outlined in BMO's [Statement on Human Rights, Code of Conduct, Supplier Code of Conduct](#), and [Statement Against Modern Slavery and Human Trafficking](#). Through these codes, policies and practices, we affirm BMO's support for the International Bill of Human Rights, the United Nations Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the principles of the eight International Labour Organization core conventions.

We conduct due diligence to identify, assess and mitigate actual and potential adverse human rights impacts, and act based on our findings. We engage with external stakeholders to improve human rights practices in the financial services industry. Our stakeholders can seek access to remedies for perceived human rights violations through multiple channels, including BMO's Ethics and Conduct Office, our Customer Complaint Appeal Office and the Sustainability Office. Our Speak Up! whistleblower reporting service is for anyone inside or outside of BMO to report suspected misconduct about BMO or one of BMO's service providers.

SR, Environmental and social risk management, pages 73-75

SR, Business conduct, pages 79-81

SR, Human rights, pages 82-83

[BMO's Statements on current issues](#)

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

PRINCIPLE 6: TRANSPARENCY & 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.																	
<p>6.1 Assurance Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?</p> <p> <input type="checkbox"/> Yes <input type="checkbox"/> Partially <input checked="" type="checkbox"/> No </p>	<p>Our Sustainability team, in partnership with Finance and ERPM, has been preparing for upcoming sustainability- and climate-related regulatory disclosure requirements, including OSFI B1-15 Climate-related Financial Disclosures, the EU Corporate Sustainability Reporting Directive, the Canadian Sustainability Disclosure Standards, and the California Climate Rules. Our prioritization of compliance with these reporting regimes has impacted our capacity to undertake the assurance processes for our PRB disclosure this year. We do remain committed to the PRB principles. We plan to revisit our assurance process for PRB in the FY2025 reporting cycle.</p> <p>While we have not obtained assurance on our PRB reporting this year, key aspects of our annual Sustainability Report and Climate Report undergo limited assurance each year. We obtained limited assurance for a variety of metrics, including climate-related metrics, in our 2023 reporting suite.</p>																
<p>6.2 Reporting on other frameworks Does your bank disclose sustainability information in any of the listed below standards and frameworks?</p> <p> <input checked="" type="checkbox"/> GRI (See 2023 GRI Content Index) <input checked="" type="checkbox"/> SASB (See 2023 SASB Disclosure) <input checked="" type="checkbox"/> CDP (See 2023 CDP Response) <input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published) <input checked="" type="checkbox"/> TCFD (See 2023 Climate Report) <input type="checkbox"/> Other </p>																	
<p>6.3 Outlook What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.</p>	<p>We will continue to engage, support and implement the principles of the PRB, further develop our impact analysis capabilities and consider new and emerging areas.</p>																
<p>6.4 Challenges Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.</p> <p>What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months.</p>	<table border="0"> <tr> <td><input type="checkbox"/> Embedding PRB oversight into governance</td> <td><input type="checkbox"/> Customer engagement</td> </tr> <tr> <td><input type="checkbox"/> Gaining or maintaining momentum in the bank</td> <td><input type="checkbox"/> Stakeholder engagement</td> </tr> <tr> <td><input type="checkbox"/> Getting started: where to start and what to focus on in the beginning</td> <td><input checked="" type="checkbox"/> Data availability</td> </tr> <tr> <td><input type="checkbox"/> Conducting an impact analysis</td> <td><input checked="" type="checkbox"/> Data quality</td> </tr> <tr> <td><input type="checkbox"/> Assessing negative environmental and social impacts</td> <td><input checked="" type="checkbox"/> Access to resources</td> </tr> <tr> <td><input type="checkbox"/> Choosing the right performance measurement methodology/ies</td> <td><input type="checkbox"/> Reporting</td> </tr> <tr> <td><input type="checkbox"/> Setting targets</td> <td><input checked="" type="checkbox"/> Assurance</td> </tr> <tr> <td><input type="checkbox"/> Other</td> <td><input type="checkbox"/> Prioritizing actions internally</td> </tr> </table>	<input type="checkbox"/> Embedding PRB oversight into governance	<input type="checkbox"/> Customer engagement	<input type="checkbox"/> Gaining or maintaining momentum in the bank	<input type="checkbox"/> Stakeholder engagement	<input type="checkbox"/> Getting started: where to start and what to focus on in the beginning	<input checked="" type="checkbox"/> Data availability	<input type="checkbox"/> Conducting an impact analysis	<input checked="" type="checkbox"/> Data quality	<input type="checkbox"/> Assessing negative environmental and social impacts	<input checked="" type="checkbox"/> Access to resources	<input type="checkbox"/> Choosing the right performance measurement methodology/ies	<input type="checkbox"/> Reporting	<input type="checkbox"/> Setting targets	<input checked="" type="checkbox"/> Assurance	<input type="checkbox"/> Other	<input type="checkbox"/> Prioritizing actions internally
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Important Notice regarding this report

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, sustainable investment targets, BMO's Climate Ambition, net zero financed emissions targets, reducing operational GHG emissions, inclusivity, diversity and development. Forward-looking statements are typically identified by words such as "strive", "targeting", "committed", "commitment", "ambition", "goal", "expect", "plan", "will", "may", "aim to", "would", "should", "believe", "anticipate", "project", "intend", "estimate", "might", "schedule", "forecast", "seek" and "could" 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. Certain statements in this report are based on hypothetical or severely adverse scenarios and assumptions, and these statements should not necessarily be viewed as being representative of current or actual risk or forecasts of expected risk. 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 there is significant risk that 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 and standardization of climate-related measurement methodologies, climate-related conditions and weather events, 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, the evolution of customer behaviour, international cooperation, the development of regulations internationally, the challenges of balancing emission reduction targets with an orderly and inclusive transition and geopolitical factors that impact global energy needs, our ability to gather and verify data, 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, general economic and market conditions in the countries in which we operate, exposure to, and the resolution of, significant litigation or regulatory matters, our ability to successfully appeal adverse outcomes of such matters and the timing, determination and recovery of amounts related to such matters, global capital markets activities and those other factors set out in the Enterprise-Wide Risk Management section of BMO's 2023 Annual Report and the Risk Management section of BMO's subsequent interim reports that may affect our future results 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. 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.

Other Disclaimers

This report includes voluntary disclosures on customer growth and support, sustainable lending and underwriting targets, sustainable investment targets, operational GHG emissions and targets, climate related opportunities and risks, governance, strategy, risk management and metrics and targets that may not be, and are not required to be, incorporated into our mandatory disclosures, where we use a definition of materiality established under applicable securities laws for the purpose of complying with the disclosure rules and regulations promulgated by applicable securities regulators and applicable stock exchange listing standards.

Any third-party information contained in this report or otherwise used to derive information in this report is believed to be reasonable and reliable, but no representation or warranty is made by us as to the quality, completeness, accuracy, fitness for a particular purpose or non-infringement of such information. Specifically, the methodologies utilized to measure operational GHG emissions and financed emissions, set targets and track future progress against these targets use emissions information and estimates that have been derived from third-party sources, which Bank of Montreal believes to be reasonable. Further, in the absence of counter party specific emissions data, some financed emissions will be estimated using the best information available, including that provided by third-party sources. In no event shall Bank of Montreal be liable (whether in contract, tort, equity or otherwise) for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, such information contained herein. Certain third-party information, such as Scope 3 emissions and emissions factors, may change over time as methodologies evolve and are refined. These inherent weaknesses with current methodologies, and other factors could cause results to differ materially from those expressed in the estimates and beliefs made by third parties and by Bank of Montreal. While we are not aware of any misstatements regarding the industry, company or market data presented in this report, such data and estimates involve important uncertainties, risks, and assumptions and are subject to change based on various factors, including those discussed under the heading "Cautionary statement regarding forward-looking information" above.

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

Third-party references and website references and/or links throughout this report are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this report. Such third-party references and website references and/or links do not imply an affiliation, sponsorship or endorsement.

