

BMO Financial Group's Response to the Carbon Disclosure Project (CDP5)

June 2007

Carbon Disclosure Project (CDP5) Greenhouse Gas Emissions Questionnaire

GENERAL INTRODUCTION

Founded in 1817 as Bank of Montreal, today BMO Financial Group (BMO) is a highly diversified financial services provider. We offer clients a broad range of personal, commercial, corporate and institutional financial services through BMO Bank of Montreal, BMO Nesbitt Burns, Harris Nesbitt and our Chicago-based subsidiary, Harris Bank.

BMO believes that climate change is one of the most pressing challenges society is faced with today. It is a challenge that demands immediate attention with a long term perspective. We also acknowledge the emerging issues and associated risks and continue to balance the interests of our various stakeholders with those of the enterprise by integrating sustainable business practices with our growth strategies.

Section A – 1 Climate Change Risks, Opportunities and Strategy

REGULATORY RISKS

What commercial risks does climate change present to your company including regulatory risks associated with current and/or expected government policy on climate change e.g. emissions limits or energy efficiency standards?

BMO Financial Group Response

As a financial services firm, we do not anticipate that regulation of GHG emissions will directly affect our company. However, the greatest risk associated with climate change is the effect and impact it will have on our customers, both as a result of changes to the regulatory environment and depending on their ability to cope with the physical impacts of climate change.

We treat each client on a case-by-case basis, so specific risks for BMO depend on the client. The potential exists for certain of our clients to have more environmental risks associated with their business, which in turn affects BMO’s risk assessment for lending. For instance, a firm that loses operating capabilities or is negatively impacted by new regulations may not be able to seek as much business from BMO as before.

PHYSICAL RISKS

What commercial risks does climate change present to your company including physical risks to your business operations from scenarios identified by the Intergovernmental Panel on climate Change or other expert bodies, such as sea level rise, extreme weather events and resource shortages?

BMO Financial Group Response

BMO units operate in several countries including Canada, the United States, Europe and China. A number of our locations are exposed to risks posed by extreme weather events, including floods and hurricanes. In addition, these types of events may also adversely impact many of our clients.

OTHER RISKS

What other commercial risks does climate change present to your company including shifts in consumer attitude and demand?

BMO Financial Group Response

As a customer focused organization, we take into account consumer attitudes and needs on a regular basis. We will continue to evaluate the impact this has on our product offering while working to meet and exceed our clients' expectations.

OPPORTUNITIES

What commercial opportunities does climate change present to your company for both existing and new products and services?

BMO Financial Group Response

As the competitive environment evolves, new opportunities may present themselves. Additional specific opportunities for BMO also depend on the client. Some firms may be able to take advantage of the situation or changes in regulations and become more valuable clients by soliciting more business from BMO, whereas others are involved in the development of renewable energy technologies.

As BMO alters its products and services to meet client demands, new opportunities may present themselves. As more projects involving alternative energy generation and technologies are applying for financing, BMO is presented with the opportunity to increase its investment in and support of green power projects. Additional specific opportunities for BMO also depend on the client. Some firms may be able to take advantage of the situation or changes in regulations and become more valuable clients by soliciting more business from BMO.

We currently provide advisory expertise and facilitate financing for corporate and commercial customers involved in renewable energy technologies including wind power. We expect to continue this practice as demand increases.

STRATEGY

Please detail the objectives and targets of the strategies you have undertaken or are planning to take to manage the risks and opportunities you have detailed in questions 1(a) and 1(b) above. Please include adaptation to physical risks.

BMO Financial Group Response

In the past year, BMO has continued to participate in various external groupings (e.g. UNEP FI NATF, GRI Working Group) to further our understanding of the issues, opportunities and risks surrounding climate change. The first piece of our strategy is to focus on our own operations, thus managing our direct impact. The CEO has designated accountability for this and a new full-time position within the organization, Director, Environmental Sustainability, was created to lead the enterprise efforts to determine our greenhouse gas footprint and work towards reducing it.

This individual will also work closely with other areas of the enterprise to assist departments in assessing the risks and opportunities we face from climate change and ensure we respond appropriately.

BMO has a number of management directives that are contributing to the development of a response to climate change. These directives or policies continue to help integrate awareness throughout BMO, particularly as we apply quantitative analysis to understand the impacts and benefits of these policies. These directives are discussed in more detail in the following section.

As a financial institution, we observe the environmental behaviors of both current and potential lending clients. These observations are done on a case-by-case basis, so no standardized measures are in place. However, we would like to draw your attention to our Social and Environmental Corporate Policy, which includes the following statement:

Indirect environmental impacts affect the Enterprise from credit related transactions with its customers and are addressed through the Enterprise's credit risk management processes by:

- assessing a counterparty's existing or potential exposure to liability and the impacts of addressing environmental requirements on their financial position and operations;
- adhering to related credit procedures; and
- assessing whether a counterparty complies with all applicable environmental laws and regulations, thus ensuring that, as best it can, it deals with environmentally responsible counterparties.

We ensure to the best of our abilities that we lend to environmentally responsible borrowers. Our lending processes assess a borrower's existing or potential exposure to environmental liability, their compliance with environmental laws and regulations applicable to them, the impact of their environmental requirements and the magnitude of any potential adverse impact of environmental risks and requirements on security values and the borrower's financial capacity. Our lending processes for real estate and for environmentally sensitive industries include a detailed evaluation or audit of all relevant operations and property, current environmental liability exposures and the soundness of a borrower's environmental management practices.

BMO has well defined contingency plans to ensure the safety of our employees, clients and assets, especially in areas particularly vulnerable to extreme weather events. Examples of this program include locations in Florida and China where weather updates are accessed daily during hurricane and typhoon season. We have standby contractors that will prepare and secure the physical location and procedures to ensure employees are not at risk.

REDUCTION TARGETS

What are your emissions reduction targets and time frames to achieve them?
 What renewable energy and energy efficiency activities are you undertaking to manage your emissions?

BMO Financial Group Response

BMO continues to develop its data collection process to improve the quality and quantity of our data. Our goal is to have a complete set of accurate data encompassing operations at all of the facilities that we own or lease, our company service vehicles and employee business travel by air. In 2006, we made tremendous progress towards this goal. Our 2006 data includes all air travel information, improved data for our service vehicles that relies on actual fuel consumption rather than kilometers traveled, and increased data regarding our Canadian facilities and some of our international facilities. Additional details regarding our data and methodologies are presented in our response to Question 2. Once we have successfully compiled the data on our remaining facilities, we will be able to evaluate our overall greenhouse gas footprint and assess appropriate specific emissions reduction targets.

As we work on the data collection however, we continue to have several Management Directives and programs that reduce emissions relating to energy use and travel. In 2006, we also worked to improve the data collection on these activities to better track our success. The results of our analysis are highlighted below.

PROGRAM	EMISSIONS AVOIDED/REDUCED (METRIC tCO ₂ e)
Teleconference Program	16,788
Technology Replacement	180
Total	16,968

Travel Directive – Reduce travel by utilizing tools such as video-conferencing, web-cast and teleconferencing whenever possible.

Our teleconferencing program continued in 2006 with great success. We compiled data on each of the nearly 540,000 teleconferences that occurred. This data included the host and connecting city names as well as the number of calls that occurred between each pair. Using the data from the 46 most common city pairs, representing approximately 30% of the total calls tracked, we conducted an analysis of the emissions avoided from the decrease in travel. In calculating the emissions avoided, we assumed that four people participated in each conference call and that two of the individuals would have had to travel. Rather than use a single average distance and travel method as we did last year, in 2006 we used the actual distances between the 46 most common city pairs and determined whether the travel would have been by

air or by car. This allowed us to determine with much greater accuracy the avoided emissions. This analysis showed that BMO was able to prevent 16,788 tonnes of CO₂ equivalent from the teleconferencing program. Since only 30% of the calls were included, this number is extremely conservative.

Technology Replacement Directive for Personal Computing Devices

In 2006, BMO continued its successful program to replace CRT monitors with significantly more energy efficient LCD monitors by replacing 6,655 monitors. This will reduce the consumption of energy associated with these monitors by approximately 50% over the life of the monitor. In 2007, BMO will continue to replace older technology with more efficient options, to reduce energy demand, save on energy costs and minimize emissions. Again we have completed an analysis of the emissions avoided through this program assuming average energy consumptions for each monitor type and that each monitor is used nine hours per day and is shut down over night, on weekends and during vacations. The analysis shows that 180 tonnes of CO₂ equivalent were saved.

Fuel Efficiency Criteria in Fleet Replacement Program Directive

BMO continues to work with our leasing company to ensure the most fuel-efficient vehicles as possible are used. In 2006, we undertook a review of our leased service vehicle program and introduced changes to the mix of vehicles included. This involved a specific focus on environmental attributes (ie: Hybrid, fuel efficiency and any other environmental capabilities) to identify vehicles that would deliver both cost-savings and minimize environmental impact. This process is ongoing and we will be able to report on its success next year.

Other Programs

Our Corporate Real Estate group continues to promote energy efficiency through its regular activities. These include regular site reviews, training, and energy efficiency upgrade modifications including:

- Lighting retrofits with low mercury extended life T-5 or T-8 fluorescent tubes and new electric ballasts (consume less energy)
- Automation system upgrades to maintain heating, ventilation and air conditioning, maximizing building efficiencies
- Utilization of outside air for cooling to reduce the amount of electricity used for refrigeration equipment
- Lighting control systems
- Light emitting diodes (LEDs) on exit signs
- Task lighting

- Variable Frequency Drives (VFDs) installed on pumps, cooling towers and pressurization fans to improve motor efficiency with resultant energy savings
- In 2006, installation of 48,190 square metres of Cool Carpet from InterfaceFLOR, a product where all of the carbon dioxide emissions associated with its life cycle are neutralized with emission reduction credits.

Section A – 2 Greenhouse Gas Emissions Accounting

METHODOLOGY – ACCOUNTING YEAR

Please state the accounting year used to report GHG emissions.

BMO Financial Group Response
2006

METHODOLOGY

Please state the methodology by which emissions are calculated.

BMO Financial Group Response

To the extent possible, all calculations were done in accordance with the World Resources Institute’s and World Business Council for Sustainable Development’s GHG Protocol. Specific emissions factors for Canada were typically found in the CSA Climate Change’s Canadian GHG Challenge Registry Guide to Entity and Facility Reporting, Version 5.0, April 2007.

BMO has greatly expanded and improved its data collection process in 2006. The totals presented below represent 100% of our owned Canadian office towers and special purpose facilities (e.g. data centres), approximately 35% of our leased Canadian office towers and special purpose facilities, 100% of our Canadian branches, and our three main office towers in the United States. Emissions related to our office towers and special purpose facilities were calculated based on actual energy consumption. Branch emissions were calculated using monies spent for energy in 2006 and average utility prices. BMO improved the data around our company fleet as well. In 2005, we reported emissions for our vehicles based on the total kilometers driven and national average fuel efficiencies. In 2006, we maintained data on the actual fuel consumption by the vehicles and our single aircraft, allowing us to calculate the emissions related to our fleet much more accurately. In 2007, we plan to collect data on the remaining leased facilities and begin collecting data on our international facilities as well.

METHODOLOGY – EXTERNAL VERIFICATION

Please state whether the information provided has been externally verified or audited.

BMO Financial Group Response

An independent consulting firm with extensive experience in developing and verifying corporate greenhouse gas emissions inventories was retained to review our data and calculations performed in house. The firm assisted with a few of the calculations so this was not a formal verification, but their review and involvement allows us to be quite confident in our data collection process, assumptions and calculations.

METHODOLOGY – VARIATIONS IN EMISSIONS

Please provide an explanation for any significant variations in emissions from year to year eg: due to major acquisitions, divestments, introduction or new technologies etc.

BMO Financial Group Response

As described above, BMO greatly increased its data collection in 2006 to include many additional facilities. In addition, we improved the quality of the data around our service vehicle fleet allowing us to calculate these emissions more accurately. Because of this, our reported emissions totals for 2006 are much higher than those we reported in 2005. We anticipate the emissions totals will increase significantly each year until we have a full set of data that includes all of our facilities. At that time, we will be able to compare year-to-year emissions totals in a meaningful manner and evaluate the success of our emissions reduction programs.

SCOPE 1 AND SCOPE 2 GHG PROTOCOL – YEAR 1 ANSWERS

Please state your direct and indirect GHG emissions in metric tonnes CO₂e for global and Annex B countries. If you are having difficulty reporting your emissions figures in CO₂e metric tonnes please see the further guidance on answering the CDP5 questionnaire available [here](cdp5reportingguidance.asp).

BMO Financial Group Response

Accounting year used to report GHG emissions details below: 2006

GHG EMISSIONS DETAILS	
Scope 1 activity emissions globally	30,947 tCO ₂ e
Scope 1 activity emissions Annex B	30,947 tCO ₂ e
Scope 2 activity emissions globally	121,761 tCO ₂ e
Scope 2 activity emissions Annex B	121,761 tCO ₂ e
MWh of electricity purchased and consumed by BMO globally	344,907 MWh
MWh of electricity purchased and consumed by BMO in Annex B countries	344,907 MWh

Please state the percentage of purchased and consumed MWh of electricity from renewables globally.

Because of our facility locations, especially those throughout Canada, we know that a portion of our electricity is generated by hydroelectric power plants as well as other renewable power sources. At this time, however, we do not have a quantification of the percentages. In 2006, we began evaluating options for purchasing additional renewable power for our facilities and plan to complete these arrangements in 2007.

Please state the percentage of purchased and consumed MWh of electricity from renewables in Annex B countries.

Because of our facility locations, especially those throughout Canada, we know that a portion of our electricity is generated by hydroelectric power plants as well as other renewable power sources. At this time, however, we do not have a quantification of the percentages. In 2006, we began evaluating options for purchasing additional renewable power for our facilities and plan to complete these arrangements in 2007.

SCOPE 3 OF GHG PROTOCOL – YEAR 1 ANSWERS

Please provide estimates in metric tonnes CO₂e for the following categories of emissions:

BMO Financial Group Response

Accounting year used to report GHG emissions details below: 2006

CATEGORIES OF EMISSIONS	
Use/disposal of company's products and services	-
Your supply chain	-
External distribution/logistics	-
Employee business travel	10,522 tCO ₂ e

Other

Please provide further information about your measurement of scope 3 emissions.

Because of the nature of our business, the use and disposal of our products and the external distribution of our products is primarily the use and disposal of paper and electronic equipment. Our program for replacing our computer equipment was discussed previously. BMO also has a significant paper recycling program. Our recycling vendor has reported that we recycled approximately 7.9 million pounds of paper last year and provided us with data regarding the associated environmental benefits.

67,438	TREES SAVED
27.8 MILLION	GALLONS OF WATER SAVED
3,562	METRIC tCO₂e AVOIDED

During 2006, we started to track our paper purchases, including data on the quantity purchased that has recycled paper content. This will allow us to compare purchases in future years to evaluate efforts to conserve paper and to purchase more recycled content.

At the present time we do not evaluate the emissions associated with our supply chain. However in selecting suppliers, we ensure that our suppliers are in conformance with our corporate directives, including the fuel efficiency criteria for fleet replacement directive. In addition, we value and incorporate into our decision making process, the following commitment in our Social and Environmental Corporate Policy regarding outside suppliers:

The Enterprise will address its corporate responsibilities (social and environmental), commitment to sustainable development, and good corporate citizenship by supporting business relationships with suppliers and sub-contractors of goods and services who share the Enterprise’s commitment to its core values and protection of the environment.

BMO continued its careful tracking of employee business travel in 2006. Our vendor tracks commercial air travel in a thorough database that records trip distances in short, medium and long distance trip categories, which allows us to easily calculate these emissions. Our travel directive continues to assist us in reducing the emissions from this source.