


Good



Good is a powerful word. And we each have a unique understanding of what it means.

But when we say that a bank has a responsibility to do good, there can't be any debate over interpretations. The simple fact is we have an obligation to do what's right – for the customers who do business with us, the people who work here, the diverse communities we're part of and the environment we all share.

Doing good begins with managing our business responsibly while upholding the highest standards of ethical governance. Any decision we make to enhance our financial performance must be firmly grounded in the trust that we've built with our customers and other stakeholders.

This foundation of trust has a further dimension that is unique to the financial services sector: Society counts on banks to fuel economic prosperity and growth – and, at the same time, to be accountable for the system that makes growth possible. These twin themes run through many of the stories in this Corporate Responsibility Report, as we explore how the work we do – when it's done well – can enrich lives.

We highlight, for example, the young owner of a construction company as he tackles his first big bridge-repair job on Vancouver Island. We look at a family-run business in Arizona that's become a market leader in Mexican food products. And we profile an innovative Wisconsin company that develops unique coating processes for the pharmaceutical industry. These success stories, and many others like them, all reflect BMO's goal of helping customers make sense of complexity, have confidence and make the right choices.

When we help our customers succeed, we add to the success of the overall economy. At the same time, as our business thrives we're able to contribute to the public good on a larger scale. Whether we're offering pre-employment training to people with



disabilities or encouraging Aboriginal children to follow their interest in technology, we constantly look for opportunities to add value that will benefit all of society.

It's the same with our pursuit of environmental sustainability. Even as our U.S. operations expanded significantly over the past year, we maintained the carbon neutrality that we first achieved in 2010. Across all areas of our organization, we're helping in small ways to create a smarter, greener future – while realizing welcome cost-efficiencies.

This report illustrates how we put our principles into practice. We care about the same things our customers care about – because that's what great companies do.

Corporate responsibility is not a declaration; it's a process. As we work constantly to meet our customers' high expectations, and the expectations of all BMO stakeholders, we steadily deepen our understanding of what it means to be a good business – in every sense of the word.

A handwritten signature in black ink that reads "Bill Downe".

Bill Downe
President and Chief Executive Officer

Table of Contents

Message from the President and CEO	IFC
Stakeholder Engagement	12
Who We Are	12
Governance and Ethics	13
SOCIAL	15
CUSTOMERS	
Family Values	16
Bridge to the Future	17
Access Code	19
Making Money Make Sense	20
COMMUNITY	
Winning Goal	21
Hands-on Commitment	22
Igniting Interest	23
United We Give	24
EMPLOYEES	
Coming Together	25
Proven Ability	26
Providing Opportunity to Everyone	27
BMO's Got Talent	28
ENVIRONMENTAL	29
Environmental Ambassadors	30
Greening Our Branches	32
Seeing the Light	33
Sustaining the Goal	34
Staying Neutral	36
ECONOMIC	37
Looking Beyond the Surface	38
Where the Heart Is	40
Street to Home in Vancouver	41
Empowering Enterprising Families	42
Highlights	43
How We Report on	
Corporate Responsibility	45

Bank of Montreal uses a unified branding approach that links all of the organization's member companies. Bank of Montreal, together with its subsidiaries, is known as BMO Financial Group. As such, in this document, the names BMO and BMO Financial Group mean Bank of Montreal together with its subsidiaries.



A photograph of two men in business suits walking on a busy city street. The man on the left is bald with glasses, wearing a dark suit, light blue shirt, and patterned blue tie. The man on the right has dark hair, is smiling, and wearing a dark suit, light blue shirt, and patterned blue tie. They are standing next to a green metal railing. The background is a blurred city street with traffic lights and pedestrians.

Our job is to keep up the good work.

Being a responsible business is a full-time responsibility. Each morning as we open our branches or head out to meetings with our customers, we're deeply conscious of our role as advisors, and as stewards of the financial system. We know that doing good can't just be an annual gesture; it's expected of us every day.

Paul Adornato and Richard Anderson are part of the BMO Capital Markets team in New York, which helps finance business growth and innovation across North America.



Peter Quiring of Nature Fresh Farms in Leamington, Ontario, supplies Canadian and U.S. grocers with produce grown to Global Food Safety Initiative certified standards in a high-tech 30-hectare greenhouse facility – including a recent 12-hectare expansion financed by BMO.

A close-up photograph of a person's hands holding a single, ripe yellow tomato. The person is wearing a dark blue long-sleeved shirt with a logo that reads "Nature's Farms" in green and white. The background is filled with lush green leaves and other tomatoes on the vine, suggesting a healthy, natural growing environment.

Nature's Farms

Banks must serve the public good.

In fact, it's vital to our success. We're key intermediaries in driving economic prosperity. We help customers make the best decisions when it comes to controlling their spending, growing their savings, borrowing smartly and investing wisely. We help small businesses grow, growing businesses compete and competitive businesses find new markets. And we help all businesses become more innovative.





Doing good is not extracurricular.

It can't be delegated to a department or covered off by a few glossy initiatives. For a responsible business, doing the right thing means recognizing that every action has an impact, so every decision must be weighed accordingly. It also means venturing beyond our four walls to help the people who support us – by supporting what matters to them.

Chicago's Magnificent Mile Lights Festival, presented by BMO Harris Bank, is an annual celebration to kick off the holiday season in December in Chicago.



Our customers know what's good for us.

They're the best judges of whether we're acting responsibly, because they hold us accountable for our actions every day. By understanding what's important to them and offering advice on the wisest choices, we give them the confidence to succeed. That helps create overall financial stability, which in turn fosters social and economic well-being.

Québec-based fashion retailer La Maison Simons, a long-time BMO customer, has been nurturing its own loyal customer base since 1840.





When not building community relationships as a branch manager with BMO Harris Bank, Jeanne Baldwin volunteers with the Arizona Animal Welfare League & SPCA.



We all believe in doing a good job.

And for BMO employees that goes well beyond providing the best possible products and services to our customers. Our people support green initiatives at work because they care about them at home. They share their knowledge to promote financial literacy. And they look for opportunities to help even the odds, lend a hand and make change happen.

Stakeholder Engagement

Creating lasting relationships with our communities is essential to the long-term sustainability of our business. We're committed to working with all of our stakeholders – understanding their expectations and interests creates opportunities for making our business better, and helps us achieve our vision of being the bank that defines great customer experience.

Taking a Collaborative Approach

Stakeholder engagement is embedded in all areas of the bank. We seek feedback through our customer-facing channels, make it easy for shareholders to raise concerns and provide opportunities for employees to provide feedback. We engage with our

stakeholders through social media, participate in roundtables with our peers and are active members of a variety of industry and community associations.

Quite simply – we listen and learn. The feedback we receive guides the decisions we make for our business and helps us clarify the issues that matter, forming the foundation of our sustainability reporting.

This year we created a new approach to sustainability reporting to better meet the needs and interests of our various stakeholders. The reports are complementary and when read together, they provide a full picture of our sustainability performance.

- The *Sustainability Report and Public Accountability Statement* meets our regulatory requirements under the Bank Act and was developed in accordance with the Global Reporting Initiative G3.1 Guidelines.
- The *Corporate Responsibility Report* covers our social, environmental and economic commitments.

Who We Are

Established in 1817, BMO Financial Group serves more than 12 million personal, commercial, corporate and institutional customers in North America and internationally. We provide a broad range of retail banking, wealth management and investment banking products through our operating groups: Personal and Commercial Banking (operating as BMO Bank of Montreal in Canada and BMO Harris Bank in the United States); Private Client Group; and BMO Capital Markets.

Our Vision

To be the bank that defines great customer experience.

Our Values

Take Pride

In what we do and where we work

Keep Your Word

Never waver from our commitments to our customers and each other

Embrace Diversity

Gain strength through our people and our perspectives

Do the Right Thing

Demonstrate respect for all and earn trust through the integrity of our actions

Have the Courage to Win

Focus on what makes us successful

Governance and Ethics

The cornerstone of our business is trust. We earn the confidence of BMO's stakeholders in two key ways: by applying the highest standards of corporate governance to ensure honesty, fairness and integrity; and by adhering to a strict code of business conduct and ethics that guides everything we do.

Governance practices

Governance is important – to our owners, customers, employees, the communities we operate in and to us. It enables us to comply with applicable laws and standards, and ensures ethical conduct is central to our business. It allows us to do a better job running our business and supports effective decision-making. In short, good governance is good business.

Our corporate governance standards reflect emerging best practices and meet or exceed legal, regulatory, Toronto Stock Exchange and New York Stock Exchange requirements. We monitor regulatory changes and best practices in corporate governance to ensure we have leading governance practices.

Upholding *FirstPrinciples*

The values that provide the foundation for BMO's governance framework are outlined in our code of business conduct and ethics, *FirstPrinciples*. A dedicated website (www.bmo.com/codeofconduct) enhances communications around our ethical code. All directors, officers and employees of the bank must sign an annual declaration confirming that they understand and observe this code. Individual completion of these declarations

is centrally tracked and monitored. We foster a culture of ethical conduct in a variety of ways, including giving employees and officers a confidential forum to raise concerns and treating all complaints with appropriate seriousness.

We also share *FirstPrinciples* with our major suppliers and expect them to uphold the same high standards. In addition, we have policies related to corruption, conflict of interest and outside business activities, as well as personal trading in securities.

Preventing money laundering and terrorism

BMO's commitment to economic responsibility includes working actively – both within the bank and in cooperation with legal and regulatory authorities around the world – to prevent the use of our enterprise for money laundering and terrorist financing activities. Beyond protecting the bank's reputation, we have a broader responsibility to society at large. Helping to protect our communities is a duty we are proud to perform. We will not knowingly conduct business with individuals, entities or governments that are attempting to use the bank's legitimate services to disguise money earned illegally. Nor will we knowingly conduct any type of business related to property owned by, or on behalf of, a terrorist group. We adhere to widely endorsed international sanctions that restrict the provision of services to certain individuals, entities and countries in accordance with government regulations.

BMO has a Chief Anti-Money Laundering Officer who oversees these efforts. We systematically monitor account activity and report to the appropriate authorities the existence of any property in the bank's control (including accounts) that we believe to be owned or controlled by terrorist groups. We also have a comprehensive, mandatory training program to assist employees in early detection and understanding the legal requirements of current anti-money laundering regulations.

Anti-corruption policy

BMO's corporate anti-corruption policy provides clear guidance on avoiding corrupt practices such as improper payments and preferential treatment. The policy also outlines our full responsibilities under the law and stresses the importance of being vigilant in reporting any questionable activities. All employees are required to complete an anti-corruption training module as part of our Ethics and Legal Compliance Learning Program.

Ensuring compliance

BMO maintains formal policies and processes with respect to legal and regulatory compliance in all jurisdictions where the bank or our subsidiaries or affiliates conduct business. The Chief Compliance Officer delivers regular reports to the Audit Committee of the board on issues and regulatory trends related to our compliance framework.

For more information, visit:

www.bmo.com/corporategovernance

Award-winning reporting

Each year the Canadian Institute of Chartered Accountants (CICA) presents its Corporate Reporting Awards – the only national awards program recognizing excellence and best practices in disclosure. In 2011, BMO was honoured to receive the Award of Excellence for Corporate Reporting in the Financial Services sector, as well as the Honourable Mention for Excellence in Financial Reporting across all industry groups.

No significant breaches

In accordance with *FirstPrinciples*, all BMO employees must immediately report concerns related to potential breaches of any laws or regulations, or of our code of business conduct and ethics. No significant breaches were identified or reported during 2011. The BMO Office of the Ombudsman received reports concerning managers' handling of staff, potential conflicts of interest and miscellaneous issues. There

were no reports related to accounting, financial reporting or auditing. Employees who raise concerns can do so confidentially and anonymously, and are protected against retaliation.

Governance Practices

1. BOARD STRUCTURE

- Our board's role is to enhance shareholder value, through a rigorous approach to accountability and corporate governance.
- Regular assessment of the board ensures it has the appropriate number of members and diverse expertise to make effective decisions.
- The board annually reviews written position descriptions for the Chairman of the Board, the President and CEO, committee chairs and directors.

2. COMMITTEES OF THE BOARD

- The board's four committees – Audit and Conduct Review Committee, Governance and Nominating Committee, Risk Review Committee and Human Resources Committee – each consist entirely of independent directors.
- The roles and responsibilities of each committee are set out in formal written charters (for more information, visit www.bmo.com/boardcommittees).

3. INDEPENDENCE

- All directors are independent and unaffiliated, except William Downe, our President and CEO.
- The independent Chairman of the Board allows the board to operate independently of management and gives directors an independent leadership contact.
- In-camera sessions attended by the independent directors are held at every board and committee meeting.

4. ORIENTATION AND CONTINUING EDUCATION

- New directors learn about our business through one-on-one meetings with the heads of each of our principal business groups.
- The Governance and Nominating Committee is responsible for directors' continuing education, which includes presentations, materials and reading recommendations.
- The annual strategy session helps directors better appreciate our progress on strategic plans and planning priorities.

5. DIRECTORS – NOMINATION, TENURE, ASSESSMENT AND COMPENSATION

- The Governance and Nominating Committee uses the results of assessments to recommend the mix of directors, process improvements and continuing education opportunities.
- Shareholders vote for individual directors – not for a slate of candidates – and directors who don't get a majority of votes must offer to resign.
- Directors must also offer to resign if they don't attend at least 75% of meetings.
- Individual directors evaluate the board, its committees and each other; committee chairs are also evaluated.
- Director compensation is reviewed annually to ensure it is competitive and consistent with the responsibilities and risks directors take, resulting in the adoption of a new flat-fee structure in 2011.

- Directors must hold eight times their annual cash retainer in common shares or deferred share units and directors cannot hedge their Bank of Montreal shares or other securities.
- A new approach to the Board Director Tenure Policy was adopted in 2009 and refined in 2011, limiting directors' length of service to ensure ongoing board renewal, sustain board performance and add expertise.

6. COMMUNICATIONS AND SHAREHOLDER ENGAGEMENT

- The Disclosure Committee oversees the timely public release of material information of the bank.
- Internal controls and procedures ensure material information is effectively communicated internally.
- Our Shareholder Engagement Policy, available on our website at www.bmo.com/shareholderengagement, promotes open dialogue and the exchange of ideas with shareholders.

SOCIAL



Celebrating diversity. Encouraging financial literacy. Creating new opportunities. Welcoming people of all abilities. Encouraging people to pursue their ambitions. Inspiring children to follow their dreams. These are just a few facets of the role our bank plays in sustaining social well-being. Recently, some have questioned the banking industry's ability to fulfill that role. But while the global banking system has been tested, at BMO we've never stopped believing in our ability to do good – by living up to the trust that society has placed in us.

BMO's support for education ranges from programming for elementary school classrooms to the highest levels of academia. We've had a partnership with the Rotman School of Management for more than 20 years. In 2012, BMO President and CEO Bill Downe worked with student teams from a Rotman MBA class on solving a business problem using integrative thinking. Bill offered feedback and advice, giving the students the authentic experience of presenting a business proposal.

 **\$66.4 million donated**

BMO's contribution – in the form of donations, sponsorships and events – to community-based programs and organizations in the U.S. and Canada in 2011.

\$19.1 million

The record total contributed in 2011 by BMO and its employees for the United Way and similar charities across North America.

 **96%**

According to our Annual Employee Survey, 96% of BMO employees feel they make a valuable contribution to achieving our vision of being the bank that defines great customer experience.

Our customers expect us to help them succeed.

Family Values

For La Canasta Mexican Foods, a leading U.S. maker of tortillas, success is built on relationships – within the family and with partners like BMO Harris Bank.

When Josie Ippolito was a little girl, she used to get up before dawn to help make tortillas in the family's modest shop before she headed off to school. Today she leads

a family-owned enterprise that produces more than 1.5 million tortillas every day from a modern plant in Phoenix. Founded 50 years ago by Josie's parents, La Canasta Mexican Foods is a leading provider of flour and corn tortillas, as well as tortilla chips, to restaurants across the U.S. The company also supplies the retail market with chips, salsa and other products.

Employing more than 130 people, La Canasta is a certified Minority and Women-Owned Business Enterprise (the company is co-owned by Josie and her sister Linda Rios) that has gained national recognition as an entrepreneurial success story. In 1999, President William Clinton paid a visit to

celebrate the combined power of private and public investment – a Small Business Administration loan had enabled La Canasta to nearly double its factory space – to foster economic growth in areas of the country that had been struggling. And for more than 30 years, the company has counted on Marshall & Ilsley (M&I), now BMO Harris Bank, to provide sound financial guidance and support.

"Whenever we've had any financial need," Josie says, "whether it was a new equipment purchase, refinancing or a loan consolidation, Regional Senior Vice President Frank Mendoza and his team have taken the initiative to understand our business



requirements. They regularly visit our manufacturing facility to get a feel for the future potential and then provide us with recommendations for the next level of financing.”

The Spirit of Partnership

Maintaining this kind of close partnership – Frank Mendoza has worked with La Canasta since Josie’s mother Carmen was at the helm – is vital for a company whose motto is “Large enough to meet your needs, small enough to care.” As the business creates innovative products and expands into new markets, its focus remains on upholding the highest standards for traditional quality and superior customer service. La Canasta also has a deep sense of community, supporting charities such as The Arizona Hemophilia Association, March of Dimes and the Arthritis Foundation, and also donating thousands of tortillas every month to a local food bank.

“There have been many challenges,” Josie sums up, “especially during recent economic times. However, we’ve survived because of our family’s commitment to the business.” She believes that commitment is shared by her bank: “M&I, and now BMO Harris Bank, has been a dependable and reliable partner, because we keep them informed of the business challenges that we face, as well as the opportunities to continue our managed growth. Our relationship has been a partnership in every sense of the word.”



Bridge to the Future

When Jake Bohmer won his first road construction contract on Vancouver Island, he was worried about cash flow – until BMO helped bridge the gap.

From the day he started working alongside his dad in road construction seven years ago, Jake Bohmer dreamed of going into business for himself. Then, in the summer of 2011, the 23-year-old carpenter from Comox, British Columbia, saw the opportunity he’d been waiting for. He launched his own construction company and immediately landed a big project: rebuilding the Nimpkish River Bridge in Port McNeill, at the north end of Vancouver Island.

There was only one problem. Jake wouldn’t receive his first payment until work was well underway. In the meantime, it wasn’t even clear how he would meet his first payroll. So he turned to the person who’d been helping with his personal finances since he started working – Small Business Banker Lori Lang at the BMO branch in Courtenay.

Making Business Personal

Although Jake had limited access to credit, he did own a home and had renovated it extensively. So Lori arranged for an appraisal and was able to set up a Homeowner’s Line of Credit. Now Jake could cover the cost of tools, transportation and three employees’ wages for his first few months of operations.



“Lori made me feel that everyone at BMO really cares that my business succeeds,” Jake says today. “She brings banking to a personal level.” Lori helped Jake’s fledgling business in other ways as well – recommending a payroll services company, for instance, and opening a Business Prime

Rate Savings account for his tax remittances. And even after working long days on a job site, he can manage his finances remotely: “I find BMO’s online banking very useful for making sense of my money. I can quickly jump between different accounts and check how my balances are doing.” As for the

Nimpkish River Bridge project, the new company won top marks from its first major client. “They seemed very happy with our work ethic and the quality of the job,” says Jake, who is now bidding on similar projects as far away as Alberta. “We’ll continue striving to do exceptional quality work and



BMO's Lori Lang helped Jake Bohmer get his construction company off the ground so he could take on his first major project, rebuilding the Nimpkish River Bridge.

hopefully build a good reputation in the construction industry." With that attitude, the young entrepreneur is building a solid bridge to the future.

Access Code

To help ensure that all of our branches and services are fully accessible to customers and employees, we've adopted even more rigorous standards across BMO.

As a bank that always puts customers first, BMO takes pride in ensuring that people of all abilities feel well looked after in our branches and enjoy convenient access to our services. Indeed, this commitment is a classic example of how doing the right thing for our business comes down to simply doing the right thing for everyone in the communities we serve.

Accessibility in Canada

Over the past year, we've revisited our already high standards in light of the Accessibility for Ontarians with Disabilities Act (AODA), viewed by many as the definitive yardstick for accessibility criteria in any jurisdiction. As of January 2012, all BMO locations in Canada are compliant with the initial AODA standards in the category that's most relevant to our business: customer service. In providing products and services to people with disabilities, we've established policies and procedures that reinforce the Act's core principles of independence, dignity, integration and equality of opportunity.

In addition, we've implemented a number of service enhancements to ensure that people of all abilities benefit from BMO's vision as the bank that defines great customer experience:

- Statements are available in Braille, large print, audio and e-text formats for a range of personal, commercial and investment accounts.
- The bmo.com site has a new accessibility section offering answers to accessibility questions. The site is also being enhanced to better serve customers who use assistive technologies.
- Frontline branch staff can arrange for sign language interpretation services.
- Our audio-enabled ATMs have raised keys and larger screen-fonts.
- More than half of our branch counters and ATMs offer wheelchair-height access.
- Over 90% of our facilities have level or ramped entries.

At the same time, we're reviewing needs and preparing for the implementation of new barrier-free design measures as stipulated by the Accessible Built Environment Standard of the AODA, which is expected to become a widely endorsed benchmark in the near future.

Accessibility in the U.S.

BMO Harris Bank has embraced the 2010 Americans with Disabilities Act (ADA) Standards for Accessible Design issued by the federal Department of Justice. We conducted an ADA compliance assessment for all retail facilities – from both the Harris and M&I legacies – built before January 1993. Out of nearly 700 branches, approximately 300 were found to be nonconforming to some degree. We're now developing a five-year plan to remediate these locations with regard to a broad spectrum of requirements, from wheelchair lifts and ramps to adjusted counter heights. We expect to invest about US\$3 million annually in this program.

Making Money Make Sense

Promoting financial literacy continues to be a priority for our bank, as we help people get a better handle on their finances – and show where we can add value.

Financial education is not an extracurricular activity at BMO. It's central to our day-to-day interactions with customers as we fulfill our brand promise: Making Money Make Sense.

In talking to a young couple buying their first home, for instance, we don't just focus on our competitive interest rates. We stress the advantages of a shorter amortization period, which will help them to build equity faster. And we point out that a fixed rate provides the confidence of knowing what their monthly payments will be, even if rates vary.

In all of our conversations with customers, our goal is not to persuade but to inform and educate. We bring that same spirit to our broader public initiatives promoting financial literacy.

A Report Card for Canadians

In 2011, we released the first BMO Financial Literacy Report Card measuring Canadians' basic understanding of financial concepts and products. This new national index grew out of our recommendations to the Canadian government's Task Force on Financial Literacy, on which Jacques Ménard, Chairman of BMO Nesbitt Burns, served as Vice-Chair.

During November, which was designated as Financial Literacy Month, BMO issued a financial literacy tip every working day, reaching a huge cross-country audience with helpful hints on everything from savings strategies to managing credit cards.

Financial Literacy in the U.S.

In 2011, BMO Harris Bank launched a new financial education program, Helping Make Money Make Sense. Combining web-based resources (at HelpingMakeMoneyMakeSense.com) with the specialized expertise of BMO employees, the program is designed to empower individuals and small business owners at every stage of life as they assert greater control over their financial futures.

This flagship program is part of a broader commitment to financial education that last year saw BMO Harris Bank reach out to the general public through more than 600 seminars and events attended by more than 23,000 people. We partner in these initiatives with a wide range of organizations, including Econ Illinois, the Girl Scouts of Northern Illinois, Chicago's Economic Awareness Council and the Indianapolis Neighborhood Housing Partnership – as well as state and local governments and the public library system.

Our bank is also one of the founding sponsors of Money Smart Week, an annual series of free classes and activities designed to help Chicago-area consumers better manage their personal finances. In 2011, BMO's contribution included sponsoring kids' essay contests, recruiting high-profile speakers and offering nearly 100 programs that engaged more than 10,000 people – 85% with low to moderate incomes – through various non-profit organizations in the communities we serve.

Our communities expect us to live up to the values that we share in common.



Winning Goal

From local youth clubs to the major leagues, our support for “the beautiful game” reaches across communities and to major and national leagues. And BMO’s Team of the Week youth soccer program promotes fitness, confidence and passion for the game.

For kids enjoying their first experience of organized sports, what counts more than athletic skill is taking pride in their achievements, commitment to the community and a genuine passion for the game. That kind of winning attitude strengthens the communities that rally around these teams, offering continued support and encouragement. This is the spirit behind BMO’s Team of

the Week program, launched in 2011 to celebrate young Canadian soccer players. From April 1 to June 30, soccer supporters across the country were invited to nominate their favourite local youth teams (for players aged 7 to 12) at BMOsoccer.com. A panel of judges then made regular selections for the BMO Team of the Week.

In the final phase of the competition, a total of 15 weekly winners competed for the votes of all Canadians as they vied to become BMO Team of the Week 2011 Champion. And when the balloting closed in August, the winners were the Glen Shields Sun Devils 2000 of Vaughan, Ontario, just north of Toronto. The grand prize was \$125,000 toward the refurbishment of a community soccer field. The team also won a trip to see a home game of the Vancouver Whitecaps FC. And BMO made a \$5,000 donation to a charity chosen by the players: the Canadian Paralympic Committee.

“Winning the money is certainly exciting,” says Paul Dell’Aquila, the Sun Devils’ coach. “However, it’s the whole experience that’s

been most rewarding. The contest allowed us to watch the enthusiasm and determination of a small team of girls become contagious. It quickly spread through the Glen Shields Club and the whole community of Vaughan.”

The BMO Team of the Week program is the centrepiece of a grassroots initiative that includes sponsorship of more than 90 soccer clubs and 15,000 youth players across Canada. We’re also large supporters of Canada’s Major League Soccer teams, providing sponsorship to Toronto FC, Montreal Impact and Vancouver Whitecaps FC. Through our partnership with the Canadian Soccer Association, we support Canada’s national teams. And we are the naming rights sponsor of Canada’s premier soccer venue, BMO Field, in Toronto. These are just some of the ways that BMO is reaching out to the communities where we live and do business – as we share the growing enthusiasm of all Canadians for “the beautiful game.”

Hands-on Commitment

BMO Harris Bank supports community-building projects with financial backing and guidance – plus a direct helping hand from employee volunteers.

DuPage County, in the western suburbs of Chicago, has the highest per capita income in the Midwest and is one of the wealthiest counties in the U.S. Yet there are many people in the community who lack the means to purchase homes. This chronic need for affordable housing inspired the founding, in 1995, of DuPage Habitat for Humanity, part of a worldwide not-for-profit movement dedicated to building homes for limited-income families. Among the Illinois chapter's key corporate sponsors is BMO Harris Bank.

Habitat homes are built by volunteers working alongside partner families, who then have the opportunity to purchase the homes based on financial need, their willingness to invest "sweat equity" in Habitat projects, and their ability to repay a 30-year, interest-free mortgage. Mortgages are keyed to family income rather than market value, and all payments are deposited into a fund that helps pay for the construction of more homes.

Financing the Future

The multi-layered collaboration between BMO and DuPage Habitat, a long-time bank customer, is in many ways a model for corporate-community partnerships. On the one hand, we finance grants for the charity's building projects, with a significant portion of

the funds going toward down payments and closing costs for Habitat clients. For example, we recently provided \$30,000 in funding for an 18-home project in West Chicago. In 2011, we pledged an additional \$45,000 over three years toward a new townhome development in nearby Glen Ellyn. All homes are built to comply with LEED and Energy Star certification.

In addition, BMO administers the mortgages of Habitat clients and is responsible for syndicating loans among investors, who receive tax credits for their support.

We work together in other ways, too. Kathy Short, VP, Senior Manager, Human Resources, is a member of DuPage Habitat's Board of Directors, and Lisa Jarmoszka, Vice President, Community Affairs, has served on their donor advisory board.

Making It Personal

Our financial support for DuPage Habitat is complemented by the personal commitment of BMO employees who participate in home building during our annual one-day volunteer events (see sidebar). In 2011, many bank volunteers took on construction tasks at a new subdivision. Others applied their organizing skills to help launch the charity's newest ReStore, which sells donated building materials and home furnishings at greatly reduced prices.

In all of these hand-on efforts, the values of BMO employees are closely aligned with those of a customer whose vision is "to make DuPage County a better place to live by building community."

Volunteer Days

BMO employees donate their time and energy to community initiatives throughout the year. For example, every week about 60 people mentor and tutor elementary school students in a distressed Chicago neighbourhood as part of a program called Working in the Schools. But we also designate one day annually when everyone is encouraged to give back by helping out at an inner-city school, a food bank, a homeless shelter or some other community project.

In 2011, more than 3,300 M&I employees took part in the bank's annual Community Day – shortly before its acquisition by BMO was completed. In the same spirit, about 2,200 of their future colleagues at Harris Bank and BMO Capital Markets spent Volunteer Day supporting more than 70 initiatives across eight states. Participation in both programs has grown year after year, and we expect that trend to continue as employees unite their volunteer efforts under the BMO Harris Bank banner.

Left to right: Trish Sessa, Kelli Wheeler, Julie Curran, Judy Rice and Lisa Jarmoszka from BMO Harris Bank and Sarah Brachle, Executive Director of DuPage Habitat for Humanity, in front of a home built in DuPage County.



Igniting Interest

Inspiring young Aboriginal Canadians to explore the possibilities of technology, BMO helps take an innovative program into the schools.

For a teacher, it's the ideal classroom scenario: a group of kids fully engaged in hands-on learning, working well together, following their curiosity – and having a lot of fun in the process. This has been the gratifying impact of IGNITE: Igniting Interest in Technology and Engineering, a program developed by IBM Canada specifically for Aboriginal students.

The goal of IGNITE is to raise young people's awareness of future opportunities in engineering, computer science and technology. A team of volunteers collaborates with public school teachers to provide encouragement, serve as role models and generally get kids excited about the new dimensions that technology brings to the classroom. BMO is one of several corporate partners

who have lent support to IGNITE. Our volunteers teach young people the basics of managing money by inviting them to play interactive games on our popular BMO SmartSteps for Parents website. The result is an enormously rewarding experience for students and volunteers alike.

David Robitaille, Director of Corporate Citizenship & Corporate Affairs with IBM Canada, sums up the success of IGNITE: "I saw a boy who'd been having trouble focusing become transfixed by the video equipment that the team from Engage Learning Systems showed him how to use. I listened as a Grade 8 girl, inspired by three talented women from SNC Lavalin, wondered aloud about pursuing a career in engineering. And I watched the team from BMO connect the dots for kids on why budgeting and saving are so crucial to personal and professional success.

"The kids' own teachers did a wonderful job of educating them about the responsibilities of digital citizenship. And of course our whole IBM team was bursting with pride when one boy took in our Watson artificial intelligence display and declared that he wanted to become a software programmer. Finally, I watched in amazement as Elder

Cindilee kept the attention of more than 40 kids for nearly an hour with her traditional teachings – reminding them that wherever this exciting new learning experience might lead, they'd always find strength by staying grounded in their culture."

In 2012, IGNITE presented four-day camps for students in grades four through eight at schools in the Niagara region of Southern Ontario. To show off their new skills and infectious enthusiasm, students produced their own videos and posted them online (viewable at www.youtube.com/user/aboriginalignitecamp?ob=0). As the program sparks interest from Aboriginal educators across the country, our growing team of BMO volunteers looks forward to furthering its success.



With activities ranging from software programming to video production, IGNITE camps help Aboriginal students discover opportunities in the fields of technology, science and engineering.

United We Give

BMO and its employees across North America set a bank record for giving in 2011, contributing more than \$19 million to the United Way and other community charities.

In Chicago, where nearly half of all teens don't finish high school, a new program is targeting 50,000 underperforming kids to give them better support through their critical middle-school years. More than 1,000 kilometres away in Montreal, low-income families are combining their purchasing power to buy healthy fresh fruits and vegetables at prices they can afford.

Meanwhile in Winnipeg, the onset of winter brings the annual return of the *Koats for Kids* campaign, which seeks donations of outerwear for at least 10,000 children in need. And in Milwaukee, an education program aimed at reducing teen pregnancies – once

the subject of national headlines – has helped bring the underage birth rate down to its lowest level in decades, helping thousands of girls escape the cycle of poverty.

What's the common thread running through these initiatives and countless others like them across the continent? All are spearheaded by United Way community charities – and so all have benefited in part from the generosity of BMO employees.

A Record of Support

One pillar of BMO's support for communities is the personal commitment of employees. Each year we encourage their efforts in a wide range of initiatives that gain immeasurably from their time, energy and resources.

In 2011, our annual Employee Giving Campaign set an all-time record, raising more than \$19.1 million for United Way organizations and other local charities in communities across the U.S. and Canada. Nearly 35,000 employees participated in the campaign through direct donations, volunteering with hundreds of community charities and major employee fundraising events.

"Last year more than 70 per cent of our employees participated in the bank's annual giving campaign," says Bill Downe, BMO's President and Chief Executive Officer.

"It's inspiring to work in an organization where people show this level of generosity and commitment."

We mirror our employees' charitable efforts with a program of corporate giving – another pillar of our community support. In 2011, BMO contributed more than \$66.4 million in donations, sponsorships and event costs to organizations and programs throughout North America that are dedicated to building and sustaining healthy communities.



BMO employees do garden work as part of our annual Employee Volunteer Day, and Shawn McFarlane, Financial Analyst, volunteers at the CN Tower Climb for United Way. These are just two of several events in our Employee Giving Campaign.



Our employees expect us to support them in developing and fulfilling their potential.

Coming Together

BMO's purchase of M&I, a landmark deal in the financial services sector, also unites two groups of people who find – not surprisingly – that they share a lot in common.

“Like most M&I employees, I felt a sense of excitement and some nervousness when the announcement was made,” says Mary Willmer, recalling when she first heard the news, in December 2010, that BMO would be acquiring Milwaukee-based Marshall & Ilsley Corporation. “I was elated to learn it was BMO, which has always had a reputation for being very customer-focused. I felt the BMO philosophy would mesh well with ours.”

In 26 years with M&I, Mary had progressed through a series of roles: personal banker, branch manager, sales leader, market manager and, most recently, retail regional manager. Soon after the purchase was announced, she was one of several managers who met with BMO President and CEO Bill Downe and his team as they toured the Midwest states where M&I was based.

“That meeting made us all feel very welcome and comfortable with the planned integration,” Mary says. “They stressed the importance of combining the best of both

banks into one strong organization. At M&I, we'd been through some very challenging years, so this focus on customer experience, employee engagement and future profitability really resonated with me.”

A Welcome Transition

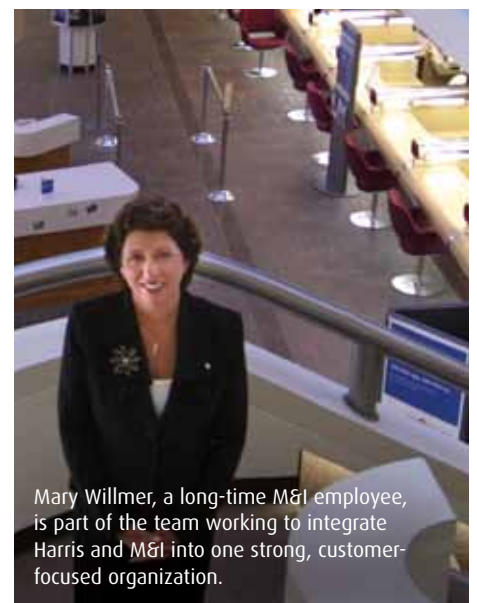
On July 6, 2011, the transaction officially closed and the U.S. retail operations of M&I and Harris were combined as BMO Harris Bank. For Mary, day one brought home the full significance of the transition: “I can honestly say that losing the M&I identity felt odd to me. But once I started to hear the enthusiasm from customers about our new name and our new company, that sense of loss and concern quickly turned to excitement and anticipation.”

Those positive feelings quickly took root as the two banks began to mesh. The first step was a joint orientation program called *Come Together*. “It was an opportunity for the former M&I people to learn more about the new culture and get connected to BMO,” Mary says. “We realized our Harris partners were going through a similar transition, so that made everyone feel more comfortable.”

Soon the combined BMO Harris Bank team was fully engaged in the step-by-step tasks of bringing together two multifaceted businesses. As part of the Retail Customer Experience Team, Mary collaborates with frontline, service and sales support colleagues – from both Harris and M&I – to define specific projects aimed at shaping a single customer-focused organization.

To sum up her perspective on the transition, Mary tells of a trip to the BMO Institute for Learning in Toronto for a senior leadership development program. As she was checking in at the centre's hotel, she realized she'd forgotten her BMO pin and mentioned it to the man at the reception desk:

“He immediately removed the pin from his lapel and handed it to me, saying it was a pleasure to give me his. That one little gesture exemplifies the customer experience culture of our new organization. It's a culture of inclusion, positive reinforcement for performance, open dialogue, strong focus on communications, and most important, a sincere desire to see employees succeed.”



Mary Willmer, a long-time M&I employee, is part of the team working to integrate Harris and M&I into one strong, customer-focused organization.

Proven Ability

BMO's unique pre-employment training program helps people with disabilities better prepare themselves for the workplace – and vice versa.

Sophia Deer was pursuing a career with the Royal Canadian Navy when a severe case of rheumatoid arthritis meant she could no longer meet the physical demands of her role. Ken Hall had won a gold medal at the Paralympics but needed to find a new way to make a living after retiring from professional wheelchair basketball.

What the two Vancouver residents shared in common, along with about a sixth of Canadians, was the challenge of living with a disability. Now they also share an employer: both have joined BMO through a unique program designed to help Canadians with disabilities find employment opportunities.

Recognizing Talent

According to Statistics Canada, 56 per cent of people with disabilities are unemployed or out of the labour force. While some face daunting challenges in securing jobs outside the home, many others are thwarted from making a living by obstacles in the work environment that could be remedied – and unfortunately, many employers overlook this pool of driven and experienced talent.

BMO has been actively recruiting employees with disabilities for several years, as part of our drive to better reflect the diversity of the communities we serve. At the same time, the initiative makes sound business sense: studies have shown that employees with disabilities tend to be highly motivated individuals who are more likely to remain with the same employer for a long time.

Learning from Each Other

BMO's unique pre-employment program provides formal training and coaching to job hunters with disabilities, helping them prepare for the expectations of the workplace. The program, which is offered in partnership with several community organizations, also enables the bank's recruiters to spot promising potential candidates – while gaining a better appreciation for their needs.

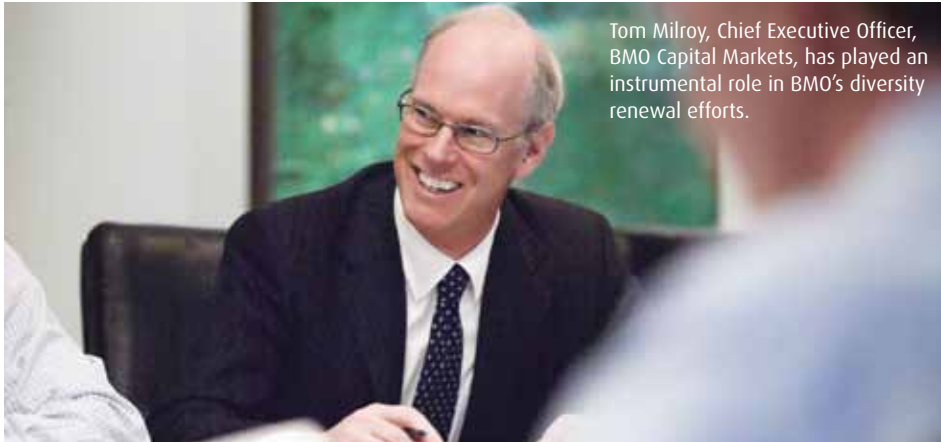
"It really is a two-way street," says Nicole Jacksic, Senior Diversity Recruitment Manager with BMO. "We help talented people pursue new career opportunities and at the same time, they show us where we can make a few changes in our environment to help them better fulfill their potential."

In 2011, the program brought seven new employees to BMO in Vancouver. Among them is Sophia Deer, who now works as a Customer Service Representative at a downtown branch. Using a special oversized pen and a splint to support one wrist, she can put her accounting background to good use helping customers.

As for Ken Hall, the former wheelchair athlete is now a full-time Customer Service Representative as well, thanks to a modified workstation and some slight adjustments to the branch counter that enable him to interact more easily with customers. Ken also speaks regularly at schools, educating children about the contribution that people with disabilities can make to society. It's a lesson that Ken, Sophia and many others are teaching by example every day.



BMO's pre-employment training program helped Sophia Deer and Ken Hall prepare for their roles as Customer Service Representatives in Vancouver.



Tom Milroy, Chief Executive Officer, BMO Capital Markets, has played an instrumental role in BMO's diversity renewal efforts.

Success has
no limits.

BMO  Financial Group

Providing Opportunity to Everyone

For two decades, BMO has been a leader in promoting diversity in the workplace. Now we're reinforcing that leadership – by challenging ourselves to do even better.

In 1991, a pioneering task force set out BMO's commitment to creating an equitable workplace and established the bank's reputation as a leader in diversity. It was groundbreaking work – not just for BMO, but for corporate Canada. Twenty years on, the belief that inclusiveness creates a stronger business is woven into our culture and enshrined in one of our core values: "Embrace diversity."

BMO has been at the forefront in terms of promoting diversity, and we have been recognized repeatedly for our efforts. It's something we work at constantly. In fact, we could think of no more fitting way to mark the task force's 20th anniversary than by renewing our commitment – and raising our standards still higher. The Diversity Renewal Council, a new committee co-chaired by

Tom Milroy, Chief Executive Officer of BMO Capital Markets, and Daniela O'Leary-Gill, a Senior Vice-President with our U.S. Personal and Commercial Banking group, is guiding our efforts. The council aims to drive BMO's performance through leadership in diversity. Spearheading efforts on a day-to-day basis is Sonya Kunkel, who has joined the bank as Director of Diversity and Inclusion.

Setting Priorities

"We have an opportunity to set a new direction for BMO's long-standing diversity strategy," Sonya says. A highly experienced professional in the area, she lists the "change drivers" that will ensure the renewal initiative has impact: "A strong business case; committed leadership; a clear framework for measurement and accountability; and constant communication."

The scope of the renewal strategy is wide-ranging, and will focus in particular on our diversity performance with regard to women in senior roles, people with disabilities and members of minority groups, including Aboriginal Canadians. We've identified several key priorities:

- Integrate diversity considerations more deeply into BMO's talent management practices.
- Enhance our ability to recruit new talent from a broader range of backgrounds.
- Build cultural intelligence to ensure managers tap into all sources of ability and creativity in their teams.

- Develop diversity action plans for each business group, with tools for measuring progress.
- Showcase success stories that establish role models and define new standards in diversity.

Future Goals

As BMO's mandate for diversity renewal is taken up across Canada and the U.S., we've set clear goals for the future, including:

- Increasing the ratio of women in executive roles to 40% (from the current 34%) by 2016.
- Significantly growing the number of Aboriginal people and minorities employed at all levels.
- Expanding the hiring of people with disabilities to reflect their numbers in the community.

"The initiatives we're taking around diversity renewal go to the heart of who we are," sums up Bill Downe, BMO's President and CEO. "Our objective is to create equal opportunity within the workforce while also making it clear to our customers, our shareholders – everyone who does business with the bank – how important inclusion is to BMO and to our success as a business. Talent and ability are the only things that define success at BMO. That's what we mean when we say: Success has no limits."

BMO's Got Talent

Meeting the high expectations of our customers and other stakeholders requires the best people. That's why BMO has cutting-edge strategies to identify and develop emerging leaders.

To fulfill BMO's customer-focused vision, we must be constantly sharpening our ability to turn our employees' remarkable potential into consistently strong performance. It's critical that we recognize and encourage the future leaders who can help us keep pace with our customers' changing needs. Last year we took the latest step toward meeting that challenge by launching the Talent Advisory Network, bringing new focus to coaching, development planning and retention initiatives for emerging leaders.

A network of Talent Advisors is now in place to provide support in a variety of ways:

- Helping executives identify potential and improve talent assessment within their teams.
- Facilitating roundtables where current leaders can share ideas on developing talent.
- Providing one-on-one coaching, including 360° feedback sessions and career guidance.
- Acting as talent brokers in the placement of future leaders across the organization.
- Providing advice and education about talent management priorities and practices.

The Talent Advisory Network fits within BMO's overall talent strategy, which has four key priorities:

1. Talent mindset and accountability: We've begun removing boundaries around talent development to ensure that the entire organization has access to strong future leaders. At the same time, we're making current leaders at all levels more accountable for attracting, developing and retaining good people. Executives with a "talent mindset" will review their teams as rigorously as they review operations, strategy and budgets.

2. Talent assessment: We're encouraging BMO's leaders to think holistically about coaching and developing their team members. Our robust methods of gauging the need for skills and experience throughout the organization ensure that we match that need with the right people. In addition, BMO's talent advisors host forums inviting different perspectives on where to place emerging leaders. We've integrated these methods into our Advanced Leadership Program, ensuring that all leaders are focused on talent development.

3. Career management practice: We're encouraging leaders to have candid conversations with employees to better align career goals with succession plans. The development process should be:

- Predominantly experience-based, focusing on individuals' day-to-day roles – including assignments requiring new skills, switching between line and staff positions, and experience-building projects within BMO and in the community.
- Relationship-based, integrating feedback from managers, mentors and other advisors.
- Training-based – via leadership development programs, technical skills training and continuing education options such as the EMBA.

4. Diversity and inclusion: The renewal strategy launched last year (see page 27) targets specific gaps in our lines of business – for example, encouraging more women to pursue careers with BMO Capital Markets – while helping all employees realize their full potential.

Moving forward, we'll be focusing more than ever on investing in our talent and developing emerging leaders. A business is driven by the people leading it – and at BMO we want to ensure that ours are the best.

Customer Service Representatives take part in a session to discuss building relationships with customers.



ENVIRONMENTAL



Consuming less energy, reducing emissions, diverting waste from landfill, expanding our recycling programs – these are all essential steps for an environmentally responsible organization. At BMO, green thinking extends even further, to every area of our business. We're working to create a culture of sustainability that inspires our people, supports our communities and helps to protect the planet.

Our three-year sponsorship of Openlands' *Building School Gardens* program will support the integration of school gardens into the Chicago Public Schools culture and curriculum. The program provides Chicago schoolchildren with a safe way to connect with the outdoors.



20% less electricity*

The reduction in energy use achieved in a one-year pilot test to remotely control cooling, heating, lighting and signage at 12 Ontario retail branches.

69% hybrid vehicles*

BMO's eco-conscious service fleet throughout Canada and the U.S.



22,000 saved trees*

The estimated impact of using paper with 30% recycled content (and produced from sustainably managed forests) for all standard business applications.

647 tonnes of hardware*

The total mass of obsolete equipment safely handled by technology disposal programs across BMO's North American operations.

* As of October 31, 2011.

Environmental Ambassadors

We're reducing waste across BMO, thanks to rigorous recycling programs championed by passionate employee volunteers.



Ashley Elliott's deep love and appreciation for nature spurred her efforts to bring recycling programs into branches and office towers throughout the GTA.

"I was the 'green' person on staff, always reminding others to recycle and not to waste paper printing everything," says Ashley Elliott, a former BMO branch employee in downtown Toronto. "I feel very strongly about our responsibility to protect the environment."

Looking for new ways to put her beliefs into action, Ashley volunteered as a BMO Environmental Ambassador. It's the frontline position in a new initiative – so far launched in six Canadian cities – to reduce waste across the bank's retail network.

Ashley showed her co-workers how they could have a positive impact with only a few simple changes in their everyday routine. She arranged for recycling bins to be placed in every office and posted signs explaining what could be put in them. She initiated sorting of organic waste in the lunchroom. And she made sure cleaning staff directed all recyclable materials to the appropriate containers for pickup.

Coordinating Efforts

When she moved to a new location as Assistant Branch Manager, Ashley found minimal recycling procedures in place. With support from BMO's Environmental Sustainability Group, she worked with the facility management company and the City of Toronto to introduce a program diverting as much waste as possible from landfill. Cleaners were educated on how to separate waste into two streams – clear bags for recyclable items, yellow bags for the rest – to ensure effective handling by collection services.



Now in the Corporate Security Office, Ashley continues to spread the green message and is encouraged by the enthusiasm of fellow employees. "At the same time," she says, "it can be frustrating when we have to replicate the same process from place to place, rather than coordinating a group of branches in one go."

Indeed, this has been a challenge for the team implementing the recycling strategy across Canada. Every municipality has its own complex rules, and these must be matched to the unique circumstances at

each BMO location. Still, by coordinating efforts with officials and service providers, more and more branches are introducing rigorous recycling programs.

As this initiative is extended to BMO's entire North American retail network, its success will be driven by the grassroots commitment of employees. "It's great to know," says Ashley, "that other green vigilantes are out there doing what I'm doing!"

Hit Return

A popular recycling event for old computers and other hardware is part of a bank-wide commitment to safely divert obsolete technology away from landfills.

On an April morning in 2011, cars started lining up at BMO's Lombard Operations Center in suburban Chicago to make an unusual kind of deposit. People from the surrounding community were dropping off their old computers, scanners, printers, cell phones, fax machines, audio-visual equipment and other electronics. They'd been inspired by a campaign, promoted by BMO employees, to dispose of unwanted hardware in an environmentally responsible way, rather than seeing bulky and potentially toxic components end up in landfill sites.

Now in its second year, the Community Electronics Recycling Event was spearheaded by BMO's Corporate Real Estate group in collaboration with property management firm Jones Lang LaSalle. The program, which also includes drop boxes at four BMO Harris Bank locations in the area, has been a great success, so far diverting nearly 18,000 kg of obsolete technology to safe disposal facilities. It dovetails nicely with an enterprise-wide program that last year disposed of 647 metric tonnes of technology – a significant increase over 2010, due in part to a major equipment upgrade across the bank.

Encouraged by the positive results, BMO employees in Lombard are already planning this year's version of an event that clearly is a hit with the community.

Greening Our Branches

Our various efforts to limit BMO's environmental impact fall broadly into two areas: reducing energy consumption and minimizing waste.

In maintaining BMO's commitment to carbon neutrality through 2011 (see page 36), we continued to focus on reducing overall energy consumption. Our collective efforts in this area have the dual advantage of helping to decrease global greenhouse gas emissions while also yielding tangible cost savings.

- **Energy audits at retail branches**

BMO's North American retail network accounts for about 40 per cent of our total

carbon footprint. To gauge energy efficiency and identify savings opportunities, we commissioned a series of energy audits that targeted lighting, heating, ventilation and air conditioning systems, plumbing, control systems, signage and building structures. By early 2011, we'd completed audits at approximately 39 per cent of our branches in Canada.

- **Remote systems monitoring and control**

In 2011, we completed a pilot test at 12 Ontario branches of a system that allows cooling, heating, lighting and signage to be remotely monitored and controlled. The result of this one-year study was a 20 per cent reduction in energy use at those locations. We're now moving forward to implement this solution for all new branches and major renovation projects.

- **New building and equipment standards**

Over the past year, BMO developed and began implementing aggressive performance specifications for retail and office

build-outs, including sustainability standards. At the same time, we've developed new mechanical equipment standards for retail branches with the goal of reducing natural gas and electricity consumption, improving employee and client comfort, and minimizing maintenance costs.

No Time for Waste

After conducting waste audits at BMO-owned office buildings in Ontario, we've begun implementing waste reduction and diversion plans at several other BMO locations. In addition, we've introduced organic composting programs at several facilities to divert food waste and soiled paper towels from landfill. We're now establishing baselines for water use to better assess how we can avoid wasting this vital resource as well.





Seeing the Light

To make the lighting in BMO branches as energy-efficient and cost-effective as it can be, we've launched a retrofit program across our U.S. retail network.

BMO's branches need to be well lit so customers can conduct transactions comfortably and staff can manage the constant flow of administrative tasks. But this doesn't mean that lighting should simply be written off as a cost of doing business. Older fixtures, even those installed just a decade ago, tend to be highly inefficient in terms of energy consumption. And when that effect is multiplied across hundreds of locations, it adds up to a lot of wasted electricity and unnecessarily high operating costs. So in 2011, BMO launched a program to upgrade lighting at all of our U.S. retail and office locations.

The Greener Alternative

We began with a lighting audit at 110 branches of BMO Harris Bank in the U.S. Of more than 21,000 fixtures examined, 67% did not meet newer standards for energy efficiency. As a result, we initiated lighting retrofits at most branches. A key goal is to eliminate all T12 fluorescent lighting, which is being phased out under green legislation in the U.S. and Canada. By installing more efficient alternatives, we can lower energy usage and save on maintenance – while ensuring a consistent experience at all of our branches.

The retrofit initiative includes installing daylight harvesting systems at locations that have good sources of natural light. "We get a lot of daylight through our atrium windows," explains Maria Albor, VP and Branch Manager at the Aurora-Orchard Branch in Illinois. "Our new fixtures have wireless electronic dimmers controlled by photo sensors, so the fluorescent lights automatically dim when there's enough light coming in from outdoors."

Saving Energy and Money

The energy savings in Aurora have been dramatic. In the branch lobby, for example, the new lighting consumes 80% less power. As the program is rolled out across BMO Harris Bank, it is expected to save 2.4 million kwh per year, a 10% reduction from current levels. With estimated annual savings of US\$270,000 in electricity charges and another US\$68,000 in maintenance costs – plus \$145,967 in rebate from utilities – we should see a return on our investment at a typical branch in three years. The green dimension is equally compelling: BMO's footprint is projected to shrink by more than 795 tonnes of carbon dioxide annually as a result of the retrofits.

There can be challenges as the varying ages and styles of branch buildings make it difficult to standardize fixtures. Also, there's often a transition period as employees adjust to a different intensity and colour of lighting. But overall the program has been an unqualified success. We now plan to implement it at all BMO locations across North America.

Sustaining the Goal

Green thinking belongs everywhere – from encouraging employees' efforts to supporting sustainable community initiatives to developing eco-conscious products.

Lowering our energy consumption, diverting waste from landfill, expanding our recycling commitment – these are all essential steps for an environmentally responsible organization. And we want green thinking to extend

to every area of our business. We're working to create a culture of sustainability that inspires our people, our communities and the products and services we provide.

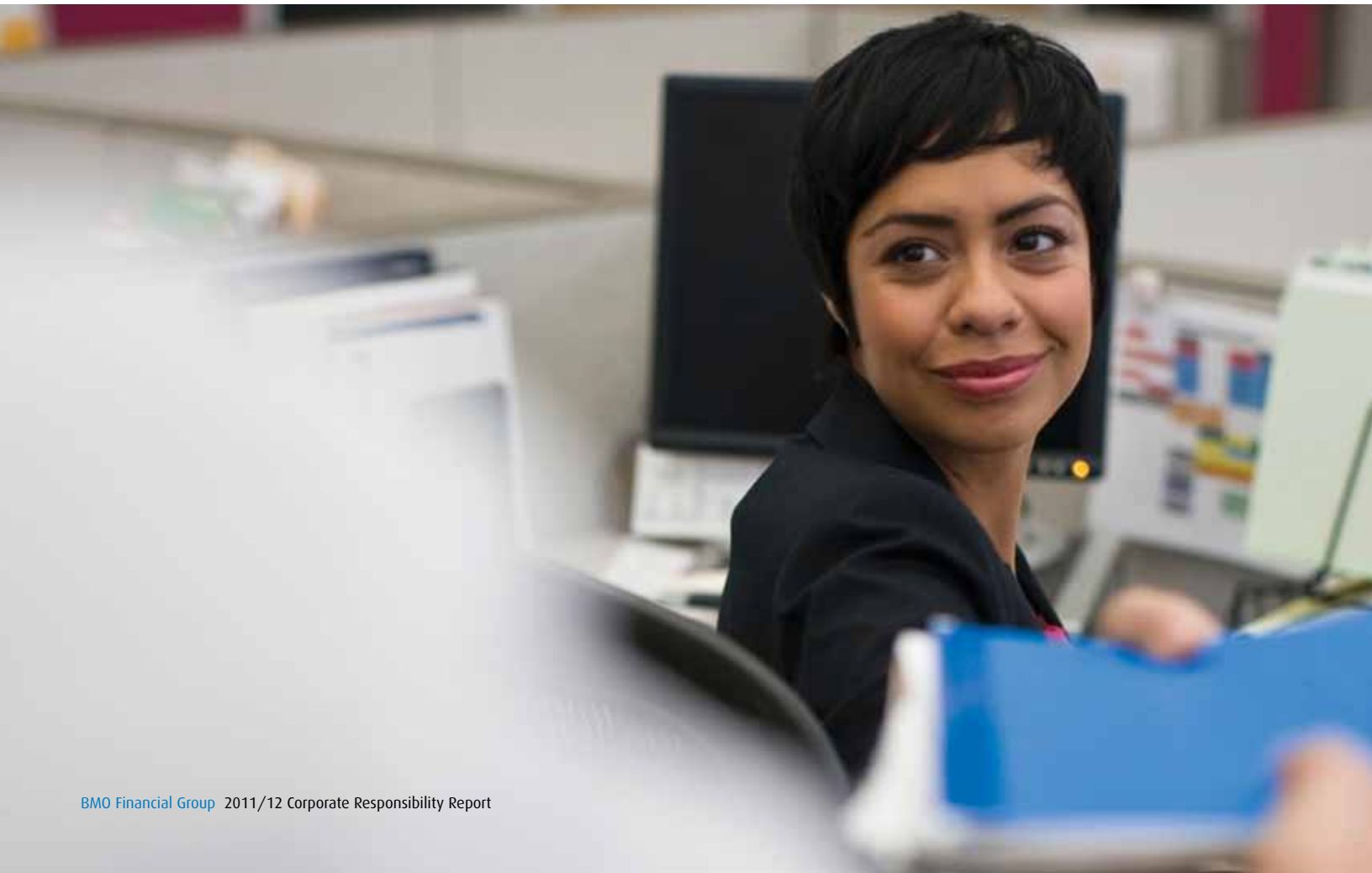
Engaging Employees

All new employees joining the BMO team complete an online orientation program that includes an overview of our corporate approach to environmental sustainability, along with suggestions on how to get involved. Our annual employee survey incorporates questions seeking people's feedback on our eco-conscious efforts. And to keep everyone informed on our progress toward environmental sustainability, last year we launched *Clear Blue Skies Quarterly*, an employee newsletter posted on our intranet.

Supporting Communities

As BMO gives back to communities, we allocate a portion of our support to sustainability efforts. In Canada, a key area of focus is environmental education, where our recent sponsorship and donation initiatives include:

- the BMO Financial Group Future Green Leaders' Fund, which provides scholarship support to students pursuing environmental studies at Trent University.
- "green" job training for the construction industry at Algonquin College.
- eco-conscious skills training at Durham College.
- the Green Careers Strategy introduced by Lethbridge College.
- Learning for a Sustainable Future, a Canadian organization that works to integrate eco-conscious perspectives into the public education system.





BMO Harris Bank supports the Chicago Botanic Garden, which features 2.5 million plants, 24 display gardens, a plant science centre and several conservation research laboratories.



BMO Harris Bank's Lisa Jarmoszka and Marianne Kozlowski hang value tags on trees as part of The Morton Arboretum's *Every Tree Counts* project.



- Nature Conservancy of Canada, which protects areas of natural diversity and fosters awareness of conservation issues, especially among children.

In the U.S., the wide range of community organizations supported by BMO Harris Bank include many with environmental mandates, including the Chicago Botanic Garden, Klehm Arboretum & Botanic Garden, The Morton Arboretum and the Nicholas Conservatory & Gardens. Through our support for Openlands we help Chicago schoolchildren build community gardens and connect with the outdoors in a safe environment.

For all of BMO's community initiatives, we partner with well-established organizations and events, and apply clearly defined criteria in our evaluation process.

Green Products and Services

The BMO Eco Smart Mortgage offers attractive interest rates to Canadian homeowners who want to reduce their energy use while also lowering household expenses. We also offer two mutual funds – BMO Sustainable Climate Class and BMO Sustainable Opportunities Class – enabling customers to invest in sustainable technologies and services. In the area of equity and debt financing, BMO Capital Markets supports companies involved in renewable/alternative energy projects. And so far more than one million Everyday Banking Plans across North America have been set to paperless – just as 31,000 BMO employees have opted for electronic pay advices*.

* As of March 31, 2012.

Staying Neutral

BMO achieved carbon neutrality in 2010. And even as our business expanded dramatically over the past year, we've held to our commitment.

Last summer the scale of BMO's U.S. operations effectively doubled overnight. On July 6, 2011, an integration process was set in motion to bring together two well-established banks under the new BMO Harris Bank brand. Among the countless challenges to be considered was how to ensure we retained our carbon-neutral status.

We first announced that BMO had achieved enterprise-wide carbon neutrality in August 2010. This milestone reflected our cumulative efforts in three areas: reduced energy consumption in our real estate facilities and for employees' business-related travel; our investment in electricity from renewable sources; and our purchase of high-quality voluntary carbon credits to offset any remaining emissions.

The expansion of our U.S. business added 374 branches to BMO's retail network, most of them in six Midwest states, along with various office facilities. This geographical growth naturally led to an increase in our calculation of absolute carbon emissions. However, because we've made a multi-year commitment to purchase carbon credits, we were able to apply a surplus in offsetting the impact of our larger physical presence. We maintained carbon neutrality without incurring any additional cost.

Absolute Reduction

When we announced BMO's carbon-neutrality goal in September 2008, we also committed to a 5% reduction in absolute carbon emissions, relative to our 2007 baseline, by the end of fiscal 2010. In fact, after verifying emissions data during the past year, we're pleased to report that we exceeded that target: We achieved a reduction of nearly 8% – equivalent to just over 13,000 tonnes of emissions. What's more, we did so even as the scale of our business, measured by number of employees and occupied real estate, grew by 6% over the same period. We're now establishing our next objective as we continue to shrink BMO's carbon footprint.



Global 500 leadership

Last year BMO was again the only Canadian-headquartered business on the Carbon Disclosure Project's Global 500 Carbon Performance Leadership Index.

ECONOMIC



Financing new and expanding businesses. Facilitating investments that boost employment and productivity. Funding innovative research and education. Providing grants for community-building initiatives. Bridging the gap for organizations that need some extra help. And, of course, helping our customers achieve their financial goals, which adds to the overall health of the economy. These are some of the many dimensions of BMO's economic impact, as we balance our role as an engine of growth with our stewardship of a financial system that must support long-term prosperity.

**12% Tier 1
Capital Ratio***

Our strong Tier 1 Capital Ratio provides BMO with operational and strategic flexibility as we execute our growth strategy.



**3.6 billion
in purchases**

In 2011, BMO spent a total of \$3.6 billion on goods and services in Canada and the U.S.

**\$1.6 billion
in taxes paid¹**

BMO's tax payments – including income, sales, payroll and provincial/state taxes, among others – help all levels of government provide public services.

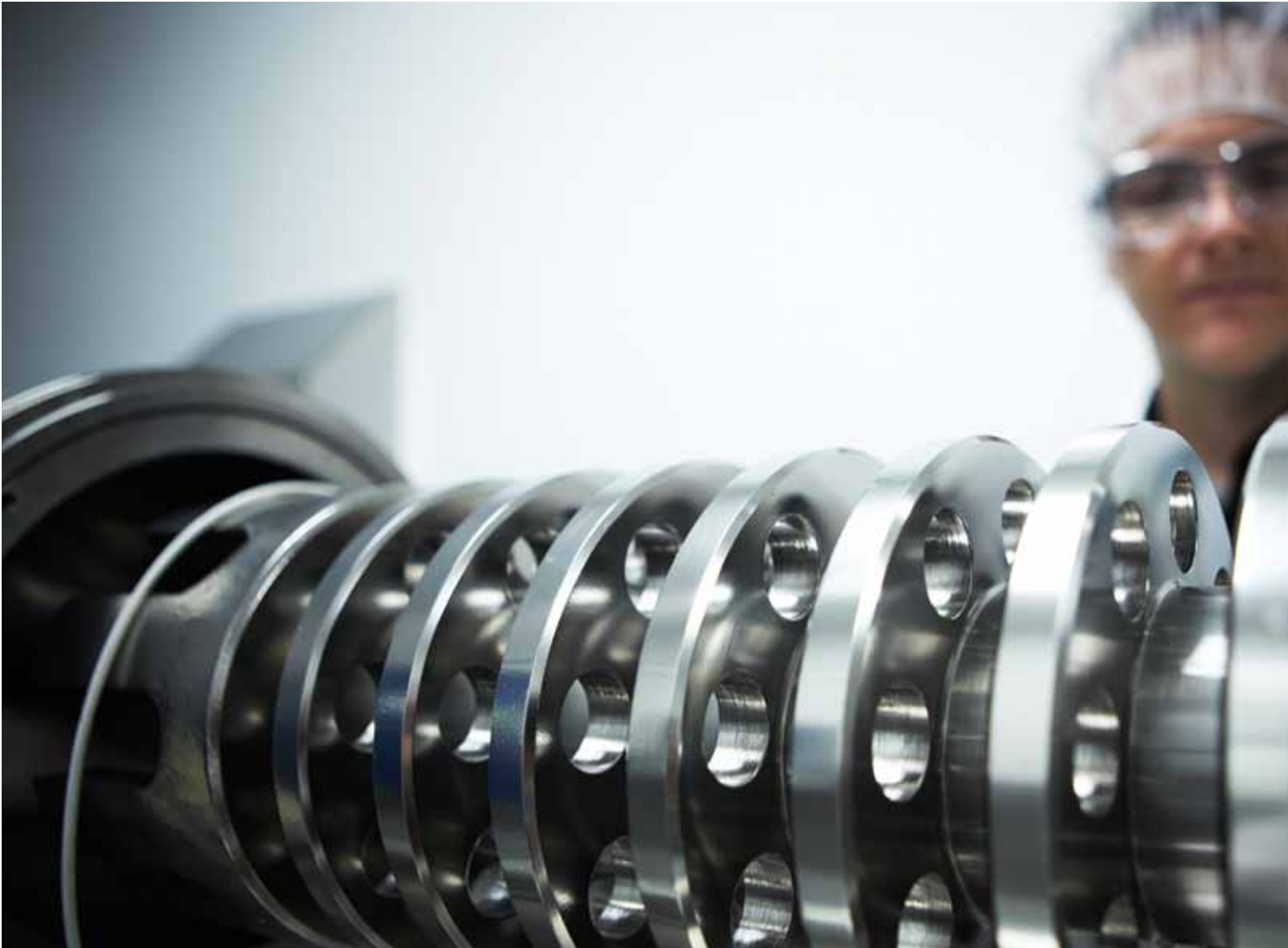


**47,000
employees***

BMO's employees provide millions of customers with retail banking, wealth management and investment banking products and services.

* As of October 31, 2011.

¹ In fiscal 2011.



Looking Beyond the Surface

An innovative supplier to the pharmaceutical and food industries, Coating Place Inc. appreciates a bank that fully understands its fast-growing business.

When Tim Breunig was a kid growing up in Sauk City, Wisconsin, he saved enough money from his paper route to buy a bike. But then he financed the purchase with a bank loan instead, reasoning that if he paid it back promptly, he'd establish a good credit rating. A young man who was clearly thinking ahead, Tim benefited from having a good financial advisor – his mother, a loans officer with M&I, now BMO Harris Bank.

Today Tim is the president and co-owner (with his brother Kendall) of Coating Place Inc. (CPI), a leading provider of micro-thin

coatings used on drug tablets and many other pharmaceutical, food and agricultural products. Based in Verona, Wisconsin, CPI pioneered the use of a process to improve product shelf life, create time-release medications, mask tastes and odours, and protect newly planted seeds, among many other applications.

When Tim and Kendall bought the company in 1999, one of their primary goals was to grow the business. They sought the business banking expertise of Keith Eineke at M&I, who helped structure several credit



We helped CPI finance a multi-million dollar expansion at their state-of-the-art facility, where they manufacture and conduct research on a variety of agricultural, food and pharmaceutical products.

numerous projects over the years and then provided financing options based on his knowledge of our unique business.”

In the past five years, CPI’s annual revenues have increased from \$6 million to more than \$21 million. By the end of 2012, the company’s original workforce will have grown fivefold to 160 employees, many of them highly skilled chemists and engineers. The company’s success is part of a larger trend across the Midwest, as a new wave of innovative manufacturers helps to

re-energize the U.S. export economy. As that trend continues, BMO Harris Bank will be there, as a good bank should always be, seeing the value beneath the surface.



facilities to finance the acquisition. He’s worked closely with CPI ever since, notably on an \$8.2-million plant expansion in 2007.

“We have a very compatible working relationship, because manufacturer and bank work as business partners,” explains Breunig. “Keith took the time to understand the Wurster coating process and how our niche business operates in the pharmaceutical and specialty chemical industries. He has patiently listened to me expound upon the engineering and scientific details of



CPI’s Kendall Breunig (left) and Tim Breunig (right) with their long-time banker, Keith Eineke (centre).



To lend a community feeling, the Elven Sted housing project – which promotes affordable housing for people with disabilities – features garden beds, a playground and a gallery of local artwork.

Where the Heart Is

When some members of the community face tough economic challenges, a bank's responsibility starts with ensuring they have a place to call home.

A major portion of BMO's business involves helping people finance their homes, whether it's a young couple hoping to buy their first house or a family switching from another bank to renew their mortgage at a better rate. But as a business with deep connections to the community, we also have an

obligation to assist those who are less fortunate. A recent BMO Harris Bank initiative in Wisconsin highlights this belief in looking beyond the bottom line to ensure everyone has a place they can call home.

In November 2011, BMO employees joined the many loyal supporters who gathered to celebrate the opening of Elven Sted, an affordable housing project in Stoughton, WI, that is especially designed for people with disabilities. The 33-unit, multi-family development is the first of its kind in the town's planned redevelopment area – and BMO played a key role in its completion.

Construction and debt financing of Elven Sted (Norwegian for "river place") was provided by BMO Harris Bank through a 30-year, \$740,000 permanent loan and a \$3.4 million equity bridge loan. The bank also made a \$225,000 equity investment in The Disability Opportunity Fund, which in turn issued a pre-development loan to the nonprofit organization behind the project, Movin' Out, Inc. – founded 20 years ago by a group of Wisconsin parents seeking affordable housing for young people with disabilities. In addition, BMO Harris Bank donated a \$10,000 operating grant for community projects.

Street to Home in Vancouver

Streethome Foundation, backed by a \$1-million donation from BMO, is helping people in need put a roof over their heads – and providing the vital support to ensure it stays there.

On any given night in Vancouver, there are about 3,700 people who don't have a home to call their own. The chronic lack of affordable housing in one of Canada's most expensive cities makes it difficult for many residents to find a place to live. But shelter is not all that's required to break the cycle of homelessness – many people face underlying issues that must be addressed as well. Research shows that providing support services as well as housing to people who are homeless – or at risk of becoming so – raises the likelihood of keeping them off the street to 85 per cent. In Vancouver, that success rate has a direct economic impact: the city saves approximately \$18,000 per year for each person receiving housing along with structured support. That's why BMO has joined the fight against chronic homelessness by donating \$1 million to Streethome Foundation.

Taking a systematic approach to addressing homelessness and its root causes, Streethome is dedicated to ensuring that people in need have access to safe, affordable housing, as well as ongoing support. BMO's donation, to be paid out over 10 years, will go toward the construction of the Howe Street development for people living with HIV/AIDS.



"The combination of homelessness and HIV/AIDS can result in severe health concerns and expensive emergency services, making supportive housing a critical component for sustaining emotional and physical health," explains Dick Vollet, President of Streethome Foundation. Working in partnership with the McLaren Housing Society, the Province of British Columbia and the City of Vancouver, the Howe Street development will provide clean, secure housing and easy access to support services. Residents can work with case managers and participate in programs devoted to health management, education, employment readiness and life skills such as nutrition, housekeeping and budgeting.

"Streethome is pleased by the strong commitment BMO is making," Vollet says. His enthusiasm is echoed by Joanne Gassman, BMO's Senior Vice-President, BC & Yukon Division: "Streethome Foundation has been an innovative force committed to finding new approaches to preventing and alleviating homelessness in Vancouver. BMO's gift reflects our nationwide commitment to combating urban issues of poverty, youth unemployment and homelessness at the local level."

Empowering Enterprising Families

Recognizing the vital role of family enterprises in driving economic prosperity, BMO has made major donations to innovative research and education programs.

Family-run businesses account for half of all new jobs created in Canada, according to research by the Canadian Association of Family Enterprise (CAFE). The economic impact of these entrepreneurial businesses is even greater in the Atlantic Provinces. That's why BMO in 2010 became a founding partner of the Centre for Family Business and Regional Prosperity at Dalhousie University in Halifax. Our \$1.5-million commitment will provide operational and core funding over seven years.

Established by the university's Faculty of Management, the Centre will support family enterprises across the Atlantic region in a variety of ways:

- Developing and delivering educational programs for families in business, and for the non-family employees and outside professionals who work with them.

- Integrating family-focused business courses into undergraduate and MBA programs.
- Providing tools and support to help family firms thrive – working with organizations such as CAFE and the Business Families Foundation, as well as other universities in the region.
- Serving as a resource and referral hub on family business issues.

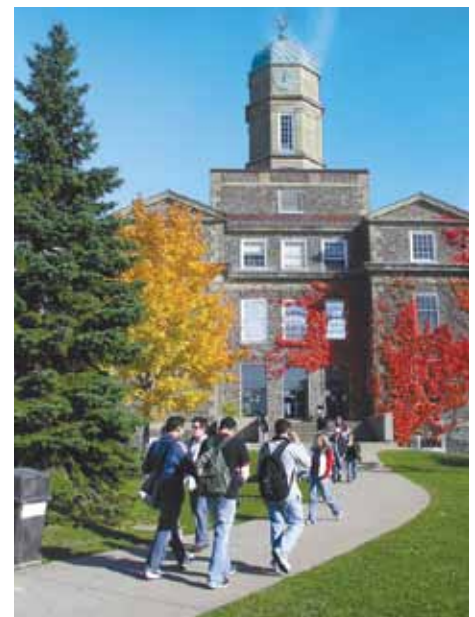
"For BMO, this innovative partnership with Dalhousie is an ideal fit," explains Steve Murphy, Senior Vice-President, Atlantic Provinces Division. "Family-run businesses are the backbone of the economy in this part of Canada. As our bank has forged more than 13,000 business relationships across the region, we've played a supporting role in many family success stories that can provide models for the whole country."

Boosting Business from Coast to Coast

Reinforcing our national perspective on family enterprises, last year BMO contributed \$2.2 million to two initiatives at the University of British Columbia (UBC) – our largest-ever donation in the province. The Business Families Centre at the university's Sauder School of Business received \$1.95 million to establish a new Family Enterprise Program, which will foster research and innovation in areas such as succession planning, family dynamics and governance. The funds will also support Canada's first national database for family business owners and researchers. The balance of our donation went to UBC's

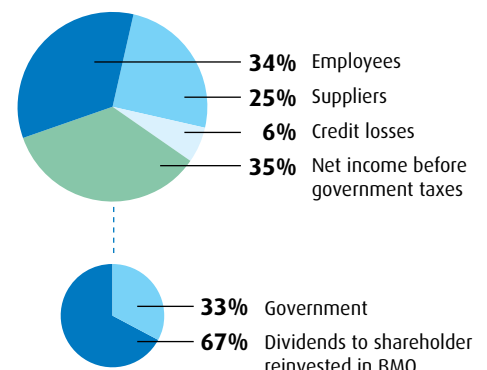
Dairy Education and Research Centre, renowned for its pioneering work on sustainable food production and animal health and welfare. "This donation of \$250,000 will help to advance education and sustain the high quality of expertise and production in Canada's dairy industry," says David Rinneard, BMO's National Manager of Agriculture.

What's more, because most of Canada's \$13.7 billion dairy industry depends on family-run farms, the initiative is one more way that BMO is helping to boost economic growth by keeping it in the family.



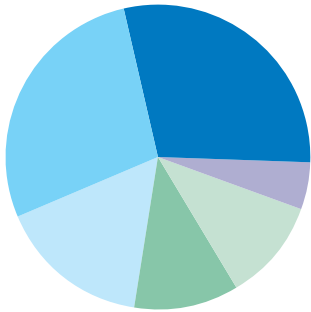
Distribution of revenues

The wealth created by BMO is widely shared. In 2011, our revenue was \$13,718 million. Of this amount, approximately 34% went to employee compensation, 25% went to suppliers and 6% went to our provision for credit losses. Of the remaining \$4,777 million, 33% went to governments in the form of income taxes and other levies and 67% was returned to our shareholders or reinvested in our company.



HIGHLIGHTS^{*}

Community Donations



- Hospitals and Health Care
- Civic and Community Initiatives
- Education
- Federated Appeals
- Arts and Culture
- Other

\$38.5 million

985,378

Customers aged 60 and older provided with free banking.

\$4.9 billion

Total employee compensation.

6.2

Training days per employee.

\$989 million

Net economic profit.

15,250 tCO₂e

Carbon emissions due to transportation for business purposes by employees.^{1,3}

\$15 billion

Additional funding made available for commercial lending to small businesses.

84%

Annual Employee Survey participation rate.

187,833 tCO₂e²

Carbon emissions at owned/leased facilities.^{1,2}

647 tonnes

Hardware disposed of in an environmentally friendly manner.

23,000

People attended BMO Harris Bank's financial education events.

Best Employers for New Canadians 2012

Canada's Top 100 Employers 2012

Best Places to Work for LGBT Equality

from The Human Rights Campaign's 2012 Corporate Equality Index

American Society for Training and Development's **2011 ASTD BEST Award** for employee training and development

Corporate Renewable Energy Index:

top 20 companies in the world for percentage of renewable energy usage

The 2011 Best 50 Corporate Citizens in Canada

Top 50 Socially Responsible Corporations in Canada

For more information on awards and recognitions, visit bmo.com/awards.

* As of October 31, 2011, unless indicated otherwise.

¹ Increase in emissions is primarily due to the M&I acquisition, which added approximately 5 million square feet of property to our footprint.

² Estimated number - to be confirmed.

³ Includes ground (auto, rail) and air travel for employees located in Canada and the U.S.

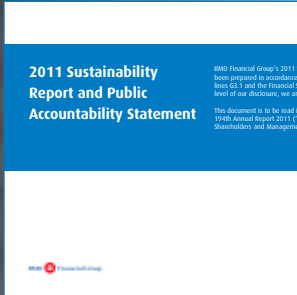


We put good news in the proper context.

1.



2.



3.



4.



We now divide BMO's reporting on corporate responsibility into two main components. Complementing this *2011/12 Corporate Responsibility Report* is the *2011 Sustainability Report and Public Accountability Statement*. This report outlines how we consider key environmental, social and governance issues in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Framework, and details our contribution to Canadian society and the nation's economy in compliance with section 459.3(1) of the Bank Act.

This year we challenged ourselves to improve the depth and breadth of our corporate responsibility reporting. And we've made it easier than ever for all our stakeholders to find the information they're looking for - whether they want details on our sustainability performance, an overview of our public accountability practices or a clear articulation of our corporate responsibility strategy. This new reporting structure helps us speak more clearly to customers, employees, suppliers, community groups, investors, government regulators and non-governmental organizations.

We welcome feedback from all our stakeholders on our approach to corporate responsibility reporting.

Arrie Gardner is one of many BMO Harris Bank employees who join their fellow Chicagoans at the Magnificent Mile Lights Festival, an annual bank-sponsored event celebrating the December holiday season.



How We Report on Corporate Responsibility

- 1. 2011 Corporate Responsibility Report**
www.bmo.com/corporateresponsibility/reporting
- 2. 2011 Sustainability Report and Public Accountability Statement**
www.bmo.com/corporateresponsibility/reporting
- 3. Corporate Responsibility website**
www.bmo.com/corporateresponsibility
- 4. Annual Report 2011**
www.bmo.com/annualreport



BMO headquarters, located in Toronto's financial district.



The Equator Principles



FTSE4Good Index Series



Dow Jones Sustainability Index - North America

This corporate responsibility report is carbon neutral. Carbon offsets provided by:



Contact Us

BMO Financial Group's 2011/2012 Corporate Responsibility Report is available for viewing or printing on our website. If you have any questions regarding our corporate responsibility activities, please contact us at: corporate.responsibility@bmo.com.

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