

# BMO Financial Group's Response to the Carbon Disclosure Project (CDP6)

June 2008

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# Carbon Disclosure Project (CDP6) Greenhouse Gas Emissions Questionnaire

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## **GENERAL INTRODUCTION**

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

### **Company Turnover in millions of US\$**

24.834

### **CUSIP number**

063671101

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# Section 1 - Risks and Opportunities

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## REGULATORY RISKS

How is your company exposed to regulatory risks related to climate change?

### **BMO Financial Group Response**

We consider our company to be exposed to regulatory risks because...

The Canadian Government’s regulatory framework to reduce air emissions is set to take effect in 2010. Companies in industrial sectors will have a variety of methods by which they can achieve compliance. As a financial services firm, we will not directly be subject to the framework, however, our clients in industrial sectors will be. They may face financial, reputation, competitiveness, regulatory & litigation risk as a result of their ability to deal with requirements of the framework as well as the physical impacts of climate change. If a company is unable to manage any of these risks, and is hindered in their ability to operate and meet their obligations to us, their credit risk profile may be impacted. Even though we do not face direct regulatory risk, if we fail to anticipate and work with our clients to understand the level of their regulatory risk, any negative effects may result in reputation risk for BMO.

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## PHYSICAL RISKS

How is your company exposed to physical risks from climate change?

### **BMO Financial Group Response**

We consider our company to be exposed to physical risks because...

The bulk of our operations are in Canada where the Atlantic, Pacific and Great Lakes coastal regions are more vulnerable to rising water levels and increased flooding than other parts of the country. We also have units in the United States, Europe and China as well. Some of these locations may be exposed to extreme weather events, including flooding, hurricanes and changing seasonal weather patterns. We have incorporated guidance in our business continuity planning templates to consider and account for the incidence of extreme weather in various regions.

Another aspect of the physical impact is the potential for increased energy costs for the organization as a result of extreme temperature fluctuations. There is also the chance that as regulatory frameworks are applied, energy producers faced with increased carbon costs may pass the effect to end users such as us, thereby resulting in increased operational costs.

Changing weather patterns may impact our workforce as well. Prolonged heat waves and associated airborne pollution such as smog poses a health risk to individuals which could potentially lead to increased workforce absenteeism.

## GENERAL RISKS

How is your company exposed to general risks as a result of climate change?

### **BMO Financial Group Response**

We consider our company to be exposed to general risks because...

In addition to the risks articulated in the previous question, we face reputation risk as a result of climate change. There is increasing pressure on companies to manage and mitigate their impact on climate change. BMO is no different and sees this from a variety of stakeholders including employees, shareholders, and community groups. Failure on our part to pay attention will negatively impact our reputation.

## RISK MANAGEMENT

Has your company taken or planned action to manage the general and regulatory risks and/or adapt to the physical risks you have identified?

### **BMO Financial Group Response**

We have taken or planned action. Key things we're doing...

BMO has had an environmental policy in place since the early 1990's. We are committed to minimizing the impact of our operations on the environment and demonstrating leadership by integrating environmental considerations into our business practices. Climate change is a large part of our environmental focus. As part of our commitment to continual improvement, we recently published an updated version of the policy on our website ([www.bmo.com](http://www.bmo.com)).

We have three main environmental priorities:

- Reduce our operational impact;
- Maintain responsible lending practices;
- Work with stakeholders to deepen our understanding of current environmental issues.

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**Additional information:****Reduce our operational impact:**

We are implementing a strategic plan that was developed to enable us to measure our company-wide GHG emissions with the goal of reducing these emissions over time. The key areas of focus are:

- energy consumption
- transportation
- material consumption
- waste generation
- procurement

**Maintain responsible lending practices:**

We ensure that in lending transactions, credit risks associated with climate change are identified and managed. We have recently updated our lending guidelines with specific due diligence questions around counterparty climate change adaptation and mitigation strategies. When assessing borrowers that are significant emitters of greenhouse gases, we will assess:

- Whether the borrower monitors and reports their greenhouse gas emissions, as well as the extent and quality of such monitoring and reporting;
- The actual extent of the borrower's overall greenhouse gas emissions;
- Whether the borrower has a carbon mitigation plan, how it is being implemented and whether the Board of Directors was involved in its development; and
- The borrower's preparedness to deal with forthcoming regulatory requirements regarding greenhouse gas emissions.

**Stakeholder Engagement:**

In addition to meeting with and discussing environmental issues with interested stakeholders, a key element of our strategy involves active participation in industry environmental associations and working groups in order to keep abreast of emerging developments in this area.

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## FINANCIAL AND BUSINESS IMPLICATIONS

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How do you assess the current and/or future financial effects of the risks you have identified and how those risks might affect your business?

### **BMO Financial Group Response**

We assess current and/or future financial effects by...

It is difficult to quantify the effects of the risks. However, we do calculate the anticipated productivity savings of implementing our operational footprint reduction plans. We have considered evaluating the level of carbon in our lending portfolio but in the absence of clear regulatory guidance in the North American context, this analysis would not be precise.

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## REGULATORY OPPORTUNITIES

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How do current or anticipated regulatory requirements on climate change offer opportunities for your company?

### **BMO Financial Group Response**

We consider that current or anticipated regulatory requirements offer opportunities because...

We continue to monitor developments in the various emissions trading systems. This area may present an opportunity for BMO to earn fees in the future as we support our customers that get involved in emissions trading.

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## PHYSICAL OPPORTUNITIES

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How do current or anticipated physical changes resulting from climate change present opportunities for your company?

### **BMO Financial Group Response**

We consider that current or anticipated physical changes offer opportunities because...

We recently outsourced the facilities management of our Canadian retail branches to a third party. A key aspect of the relationship is environmental management across these facilities. The firm will benchmark our facilities current performance and recommend specific actions and initiatives we can undertake to help us further reduce our carbon impact. We are also exploring options to purchase energy in bulk at the wholesale level to proactively manage our costs in the face of rising fuel costs.

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## GENERAL OPPORTUNITIES

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How does climate change present general opportunities for your company?

### **BMO Financial Group Response**

We consider that climate change offers opportunities because...

As a Financial Services firm, general opportunities exist for us by supporting our customer base in their climate change mitigation or adaptation efforts. To this end, BMO was one of the first financial institutions to finance the development of wind power generation in Canada. Today, we are a leader in the financing of renewable energy projects in Canada. Since 2001, BMO has been involved in over \$3 billion of financing transactions including wind, hydro-electric and biomass projects.

BMO Capital Markets is also an active provider of investment and corporate banking services to producers of renewable fuels across North America. BMO's clients that produce corn-based ethanol represent approximately 20% of the production capacity in North America. We have clients that are developing "next" generation technologies in ethanol that will lead to more efficient operations and the use of cellulosic materials such as woodchips and switchgrass to make ethanol. We also have several clients that produce biodiesel.

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## MAXIMIZING OPPORTUNITIES

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Do you invest in, or have plans to invest in products and services that are designed to minimize or adapt to the effects of climate change?

### **BMO Financial Group Response**

Climate change has led to investment or planned investment in order to maximize climate change opportunities.

(See comments in the previous question)

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## FINANCIAL AND BUSINESS IMPLICATIONS

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How do you assess the current and/or future financial effects of the opportunities you have identified and how those opportunities might affect your business?

### **BMO Financial Group Response**

We assess current and/or future financial effects by...

All transactions that we engage in are subject to internal return on investment analysis criteria and those related to financing our customers in climate change related activities are no different. In terms of opportunities related to our own

operations, we expect to prioritize expenditures for initiatives based on both the life cycle productivity savings generated as well as the related carbon reduction opportunities.

## Section 2 – Greenhouse Gas (GHG) Emissions Accounting

### REPORTING BOUNDARY

Category that best describes the company, entities or group.

#### **BMO Financial Group Response**

Companies over which operational control is exercised.

### REPORTING YEAR

State dates of the accounting year or period for which GHG emissions are reported.

#### **BMO Financial Group Response**

Start date: 01 January 2007

End date: 31 December 2007

Other: We have chosen the 12 month calendar year to align with the various information providers (e.g. utilities) that we use.

### METHODOLOGY

Specify the methodology used by your company to calculate GHG emissions (GHG Protocol or ISO 14064-1), also give references to any calculation tools used or an explanation of any calculation methods.

#### **BMO Financial Group Response**

GHG Protocol.

BMO has retained the services of an external climate change consultant who has developed a GHG Inventory Database Tool for the calculation of BMO's greenhouse gas emissions. This database contains the most up-to-date global energy intensity factors by facility type and region, and greenhouse gas emission factors by region and source type.



The GHG Inventory Database Tool for BMO is fully compliant with both:

- WRI/WBCSD GHG Protocol Initiative (“GHG Protocol”) and;
- ISO 14064 Part 1: Greenhouse gases — Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

## SCOPE 1 AND SCOPE 2 OF GHG PROTOCOL – YEAR 1 ANSWERS

Accounting year used to report GHG emissions details below:

### BMO Financial Group Response

Start date: 01 January 2007

End date: 31 December 2007

#### GHG EMISSIONS DETAILS

##### Scope 1 - Direct GHG Emissions

Total global scope 1 activity in metric tonnes CO <sub>2</sub> e emitted	53,553 tCO <sub>2</sub> e
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Total scope 1 activity in metric tonnes CO <sub>2</sub> e emitted for Annex B countries	53,512 tCO <sub>2</sub> e
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##### Scope 2 - Indirect GHG Emissions

Total global Scope 2 activity in metric tonnes CO <sub>2</sub> e emitted	96,049 tCO <sub>2</sub> e
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Total Scope 2 activity in metric tonnes CO <sub>2</sub> e emitted for Annex B countries	95,864 tCO <sub>2</sub> e
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#### ELECTRICITY CONSUMPTION

Total global MWh of purchased electricity	325,090 MWh
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Total MWh of purchased electricity for Annex B-countries	324,856 MWh
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##### Purchased Electricity from Renewable Sources

Total global MWh of purchased electricity from renewable sources	5,000 MWh
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Total MWh of purchased electricity from renewable sources for Annex B countries	5,000 MWh
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### GHG EMISSIONS BY INDIVIDUAL COUNTRY

#### Scope 1 - Direct GHG Emissions (metric tonnes CO<sub>2</sub>e)

Canada	43,988 tCO <sub>2</sub> e
USA	9,413 tCO <sub>2</sub> e
Rest of World	153 tCO <sub>2</sub> e

#### Scope 2 - Indirect GHG Emissions (metric tonnes CO<sub>2</sub>e)

Canada	58,240 tCO <sub>2</sub> e
USA	37,329 tCO <sub>2</sub> e
Rest of World	480 tCO <sub>2</sub> e

### ELECTRICITY CONSUMPTION BY INDIVIDUAL COUNTRY

Canada	255,535 MWh
USA	68,756 MWh
Rest of World	799 MWh

#### Purchased Electricity from Renewable Sources

Canada	5,000 MWh
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## OTHER EMISSIONS - SCOPE 3 OF GHG PROTOCOL

How do you identify and/or measure Scope 3 emissions?

### BMO Financial Group Response

Refer to our answer below.

Details of the most significant Scope 3 sources for your company.

### BMO Financial Group Response

As a financial institution, our most significant scope 3 emissions are the result of employee business travel. This includes ground (automobile, rail) and air travel by employees for business purposes.

Details in metric tonnes CO2e of GHG emissions in the following categories:

- Employee business travel
- External distribution/logistics
- Use/disposal of company’s products and services
- Company supply chain

Details of the methodology used to quantify or estimate Scope 3 emissions.

**BMO Financial Group Response**

CATEGORY	EMISSIONS (METRIC tCO <sub>2</sub> e)
Employee business travel	15,510 tCO <sub>2</sub> e
External distribution/logistics	not applicable
Use/disposal of company’s products and services	not applicable
Company supply chain	not applicable

**BMO Financial Group Response**

For Employee Business Travel, we deploy the following data collection, verification and GHG calculation methods:

- 1) Air travel for business purposes is provided by our preferred supplier and we utilize one-way flight segment distance calculations for all flights to calculate the relevant emissions within the GHG Inventory Database Tool.
  
- 2) Rail travel for business purposes is provided by our supplier and we utilize point to point distance calculations to calculate the relevant emissions within the GHG Inventory Database Tool.
  
- 3) Automobile travel for business purposes:
  - Rental cars – all data is provided by our preferred suppliers, validated for reasonableness internally, and input (input/output audit checks) to the GHG Inventory Database Tool for calculation of emissions.
  - Employee travel on business using personal vehicles – all data is captured via our internal expense reimbursement system and we use kilometres travelled and a proxy for vehicle type (efficiency) within the GHG Inventory Database Tool for calculation of emissions.

**EXTERNAL VERIFICATION**

Has the information reported in response to Questions 2(b) and 2(c) been externally verified or audited or do you plan to have the information verified or audited?

**BMO Financial Group Response**

No.

**Additional information:**

For 2007 data, we retained the services of an independent climate change consulting firm with extensive experience in developing and verifying corporate greenhouse gas emissions inventories. An output of this engagement was the provision of a comprehensive GHG Inventory Database Tool for BMO which is fully compliant with both:

- WRI/WBCSD GHG Protocol Initiative (“GHG Protocol”) and;
- ISO 14064 Part 1: Greenhouse gases — Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

In addition to providing the GHG Inventory Database Tool, the firm worked closely with BMO to provide consulting expertise in vetting the reasonability of actual consumption data input as well as the proxy calculations contained within the tool. As they were directly involved with BMO’s resultant output, they cannot be viewed as independent for verification/audit purposes. Notwithstanding this, their review and involvement allows us to be quite confident in our data collection process, assumptions and calculations.

**DATA ACCURACY**

Does your company have a system in place to assess the accuracy of GHG emissions inventory calculation methods, data processes and other systems relating to GHG measurement? If so, please provide details. If not, please explain how data accuracy is managed.

**BMO Financial Group Response**

Yes, we do have a system.

As noted in our answer to question ‘External Verification’ above, BMO has retained the services of an external climate change consultant who has developed a GHG Inventory Database Tool for the calculation of BMO’s greenhouse gas emissions. This database contains the most up-to-date global energy intensity factors by facility type and region, and greenhouse gas emission factors by region and source type. The database organizes the data according to the guidelines of the Greenhouse Gas Protocol and identifies the organizational characterization from the scoping and boundary process.

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Data collected from across the enterprise (see details below) is populated to a data collection template. Any gaps requiring estimation are identified during this process. The populated data collection template is then loaded into the GHG Inventory Database where data integrity checks are completed to ensure that the data has been loaded consistently from one program to another. These data integrity checks include facility counts, record counts and consumption totals. Once data integrity has been assured within the database, an estimation exercise applies proxy data to those facilities or sources for which no data was available.

Where proxy calculations are required, we utilize one of the three potential estimate types within the tool as follows:

- Firstly, the average of all similar facilities having actual consumption data in that sub-region (province for example) can be applied;
- Secondly, if there are no representative facilities having provided actual data, a referenced (NRCan or US EPA) average regional, facility-type specific, energy intensity can be applied, and;
- Thirdly, if there are no sub-regional reference averages available, then a country level consumption average (from the IEA) is applied.

We believe that using these three estimation techniques provides conservative, defensible, referential and reasonable estimation of energy consumption where no data exists. Once all the energy data has been estimated, the database applies the appropriate emission factors based upon region, and source-type. Spot checks are done throughout the database to ensure that the emission factors have been applied appropriately. In addition the tool identifies any facilities that have not been estimated.

The GHG Inventory Database Tool also has an analytical function that allows reports to be run, highlighting variations in consumption/emissions by facility type, by region. Using this analytical tool BMO can identify those facilities whose consumption profile falls well outside averages and norms, and address those variations with more in-depth investigation to ascertain the nature of the issue.

In addition to the use of this GHG Inventory Database Tool, BMO has continued to expand and improve upon the data collection process for both facilities and transportation (ground/air) for 2007.

For real estate facilities, we deploy the following data collection and verification

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methodology:

- 1) For owned premises, consumption data is gathered directly from utilities invoices paid for each property with the resultant input verified independently (internal resources) on a sample basis. Sampling verification is weighted towards the larger facilities to minimize the risk of significant error.
- 2) For leased premises, we rely on our facilities management suppliers and/or landlords to provide the source data, with assurance of a reasonable standard of due care.

For transportation data, we deploy the following data collection, verification and GHG calculation methodology:

- 1) Air travel for business purposes is provided by our preferred supplier and we utilize one-way flight segment distances for all flights to calculate the relevant emissions within the GHG Inventory Database Tool.
- 2) Rail travel for business purposes is provided by our supplier and we utilize point to point distances to calculate the relevant emissions within the GHG Inventory Database Tool.
- 3) Automobile travel for business purposes:
  - Service vehicle fleet (Canada) – for our leased vehicles, we use actual fuel consumption and vehicle type data which is provided by our preferred supplier, verified internally for reasonableness and input (input/output audit checks) to the GHG Inventory Database Tool to calculate the relevant emissions.
  - Service vehicle fleet (USA) – for our owned motor pool vehicles, we use miles travelled (converted to kilometres) gathered from internal records and combine with the type of vehicle (fuel efficiency estimates) for input (input/output audit checks) to the GHG Inventory Database Tool to calculate the relevant emissions.
  - Rental cars – all data is provided by our preferred suppliers, validated for reasonableness internally, and input (input/output audit checks) to the GHG Inventory Database Tool for calculation of emissions.
  - Employee travel on business using personal vehicles – all data is captured via our internal expense reimbursement system and we use kilometres travelled and a proxy for vehicle type (efficiency) within the GHG Inventory Database Tool for calculation of emissions.

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## EMISSIONS HISTORY

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Do the emissions reported for your last accounting year vary significantly compared to previous years? If so, please explain reasons for the variations.

### **BMO Financial Group Response**

Yes, they do vary significantly.

The differences are related primarily to the scope of our overall data coverage, specifically in the area of real estate facilities. In 2007 we successfully established our enterprise-wide baseline for energy and now have a strong foundation for reporting of Scope 1 and Scope 2 emissions.

For Scope 3 emissions, we have also improved upon the reasonable data baseline reported in 2006, with additional sources of transportation data in 2007. We now consider the 2007 ground/air travel for business purposes (Scope 3 emissions) to be very representative for the enterprise.

With the baselines established, we have now instituted processes to track changes relative to growth (organic/acquisition etc.), divestitures and/or efficiencies moving forward.

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## EMISSIONS TRADING

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Does your company have facilities covered by the EU Emissions Trading Scheme?

### **BMO Financial Group Response**

No, we do not.

What is your company's strategy for trading or participating in regional and/or international trading schemes (eg: EU ETS, RGGI, CCX) and Kyoto mechanisms such as CDM and JI projects? Explain your involvement for each.

### **BMO Financial Group Response**

- EU ETS - not applicable.
- CDM/JI - not applicable.
- CCX - not applicable.
- RGGI - not applicable.
- Others - not applicable.

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## ENERGY COSTS

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Identify the total costs in US \$ of your energy consumption eg from fossil fuels and electric power.

### **BMO Financial Group Response**

29,334,000 US\$

What percentage of your total operating costs does this represent?

### **BMO Financial Group Response**

0.47 %

What percentage of energy costs are incurred on energy from renewable sources?

### **BMO Financial Group Response**

0.42 %

#### **Additional information:**

As a financial institution, our total energy costs are not significant as a percentage of total operating costs. The total cost of energy quoted (US\$29,334,000) is an estimated amount derived from actual/proxied consumption and average costs per unit. Many of our facilities are leased and the costs of utilities are not separately broken out in the monthly charges - hence our calculation method.

Note: For renewable sources answer, the percentage quoted applies only to costs specifically earmarked for purchase of 100% renewable energy. In 2007, BMO entered into a three year commitment with an energy supplier to purchase 5,000 MWh of renewable energy. The energy is generated from wind and low-impact water sources.

BMO Financial Group has many facilities in locations (e.g. Quebec, Canada) where energy mix is derived from low emissions sources such as hydro-electric, however we felt it inappropriate to include in this calculation as we are simply taking advantage of the energy mix offered in these locations.



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## Section 3 – Performance

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### REDUCTION PLANS

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Does your company have a GHG emissions reduction plan in place? If so, please provide details along with the information requested below.

#### **BMO Financial Group Response**

Yes, we have a reduction plan in place.

What is the baseline year for the emissions reduction plan?

#### **BMO Financial Group Response**

2007

What are the emissions reduction targets and over what period do those targets extend?

#### **BMO Financial Group Response**

With a reliable baseline established, formal targets will be the next step in our GHG emissions reduction plan.

What activities are you undertaking to reduce your emissions eg: renewable energy, energy efficiency, process modifications, offsets, sequestration etc? What targets have you set for each and over what timescales do they extend?

#### **BMO Financial Group Response**

In 2007, BMO documented its strategy to target environmental sustainability for its enterprise operations. The BMO ECO<sup>5</sup> Strategy focuses on 5 significant areas in which BMO impacts the environment including; energy, transport, material consumption, waste and procurement. The following are examples of initiatives specifically related to energy and transportation, two of the most significant areas of impact:

#### **Energy - Emission free electricity purchased from Bullfrog Power in 2007**

In September 2007, BMO signed a three-year agreement with Bullfrog Power, a green electricity retailer that markets energy from clean, renewable sources like wind power and low-impact water power, to purchase 5,000 megawatt hours of emission-free electricity annually. Up to 53 branches in Ontario and Alberta will be

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"bullfrogpowered", which reduces our overall carbon emissions by approximately 3,000 tCO<sub>2</sub>e per year. BMO is now a leading financial institution on the bullfrogpowered Green Index.

#### **Energy - LEED Buildings**

Two BMO retail branches located in the Greater Toronto Area (Ajax and Oakville) have been built for certification under the Leadership in Energy and Environment (LEED) standard. LEED certification covers the design, construction, and operation of green buildings and will enable us to measure a building's performance in areas such as water savings, energy efficiency, materials selection, and indoor air quality. Energy savings achieved to date for these two facilities are in excess of 48% at each participating branch. We also have 4 additional locations under construction for eventual certification, two in the United States (Chicago), one in Winnipeg, Manitoba and one in Calgary, Alberta.

#### **Energy - Data Centre Server Rationalization/Virtualization**

For efforts completed in fiscal 2007, BMO received the Uptime Institute 2008 Green Enterprise IT Award for IT Hardware Asset Utilization in April, 2008. The initiative involved the elimination of a total of 409 servers, 40 peripheral devices and two storage subsystems from the data centre facility. The net impact of these reductions were 276 kilowatts of power from IT and an additional 250 kilowatts in reduction in facilities overhead, which is equivalent to the amount of power it takes to run about 430 average sized homes for one year. The Uptime Institute is an industry provider of vendor-neutral, research-based information on high-density enterprise computing.

#### **Transport - Hybrid Vehicles**

For our service vehicles, we have committed to using increasingly more energy efficient alternatives (e.g. Hybrids). In October, 2007 we converted all 20 motor pool vehicles used by employees in our Chicago office to hybrids. In Canada, we currently have 6 hybrid sedans in operation and are targeting the transition of 35% of the fleet to hybrids over the next 2 years, as leases are renewed. Our focus in this area builds on the success we've already achieved in reducing emissions for our leased/owned vehicles in recent years, and we expect continued savings through the use of more fuel efficient/lower emissions vehicles.

#### **Transport – Public Transit Programs**

In the summer of 2007, we enrolled in the Toronto Transit Commission's TTC VIP "Green" Metropass Program. This offering promotes the use of public transit by

BMO Financial Group employees to reduce vehicle emissions, using discounted monthly transit passes. We currently have in excess of 3,800 employees enrolled (approx. 40% of those working in BMO facilities in the Greater Toronto Area) who use public transit to get to/from work and where applicable, between our various offices for business purposes. The program in Toronto supplements our existing transit program in Vancouver, which has been in place since 2003.

#### **Transport - Travel Directives**

Existing travel directives remain in effect, requiring employees to consider alternatives such as teleconferencing and videoconferencing before booking air travel. We have recently upgraded videoconferencing facilities in our key Toronto and Chicago office tower locations and expect this to contribute to reduced air travel, costs and emissions as a result.

In the area of Material Consumption, we are currently focusing on paper reduction activities, upgrading our output devices across the enterprise to allow for reduced consumption of paper through duplex printing. Existing Waste Management activities such as our North American paper recycling and technology disposal programs continue to be successful. Finally, in 2007 we introduced a more formalized Sustainable Procurement questionnaire to take into account both environmental and social considerations during the procurement process.

What investment has been or will be required to achieve the targets and over what time period?

#### **BMO Financial Group Response**

To be determined in 2008.

What emissions reductions and associated costs or savings have been achieved to date as a result of the plan?

#### **BMO Financial Group Response**

In addition to the specific investment made for the purchase of 5,000 MWh of 100% renewable energy, please see comment above for examples of specific initiatives targeting both cost savings and emissions reductions.

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## EMISSIONS INTENSITY

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What is the most appropriate measurement of emissions intensity for your company?

### **BMO Financial Group Response**

Metric tonnes of CO<sub>2</sub>-e per square meter.

Please give your company's emissions intensity figure for the measurement given above.

### **BMO Financial Group Response**

See comment below for question '*Has your company developed emissions intensity targets?*'.

Please state your GHG emissions intensity in terms of total tonnes of CO<sub>2</sub>-e reported under Scope 1 and Scope 2 per US \$m turnover and EBITDA for the reporting year.

### **BMO Financial Group Response**

See comment below for question '*Has your company developed emissions intensity targets?*'.

Has your company developed emissions intensity targets?

### **BMO Financial Group Response**

No, we have not developed emission intensity targets for the following reason(s):  
As a low emitter, with baseline consumption just established for 2007, we are still considering the applicability of emissions intensity targets.

#### **Additional information:**

As a financial institution and low emitter, this has limited applicability. We are however looking at a couple of relative emissions factors for future use – tCO<sub>2</sub>e per square metre of premises occupied and tCO<sub>2</sub>e per employee.

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## PLANNING

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Do you forecast your company's future emissions and/or energy use?

### **BMO Financial Group Response**

Yes, we do.

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Please provide details of those forecasts, summarize the methodology used and the assumptions made.

**BMO Financial Group Response**

See comment below.

How do you factor the cost of future emissions into capital expenditure planning?

**BMO Financial Group Response**

See comment below.

How have these considerations made an impact on your investment decisions?

**BMO Financial Group Response**

See comment below.

**Additional information:**

As part of the annual planning exercise, BMO forecasts future energy use/costs based on historical trends, with due consideration for future initiatives planned. We would expect, all else being equal, consumption and emissions to decrease as a result of our ongoing environmental reduction initiatives. As a financial institution, for the most part, the cost of future emissions is incorporated into operating budgets as expense items, and not capital expenditures.

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**PLANNING - FORECASTED EMISSIONS/ELECTRICITY USE - YEAR 1 ANSWERS**

Enter the accounting period used to report GHG emissions details below.

**BMO Financial Group Response**

Dates not selected.

**Additional information:**

While we certainly forecast the costs of utilities as part of our annual budgeting process, BMO is a low emitter and has only just established its baseline for emissions for 2007. We will consider the forecasting of emissions as part of the target setting activities which are in process.

# Section 4 – Governance

## RESPONSIBILITY

Does a Board Committee or other executive body have overall responsibility for climate change? If not, please state how overall responsibility for climate change is managed.

**BMO Financial Group Response**

Yes, an executive body does have overall responsibility for climate change.

Which Board Committee or executive body has overall responsibility for climate change?

**BMO Financial Group Response**

Climate change and other environmental issues are a component of our Corporate Responsibility strategy.

- The Board of Directors is responsible for reviewing and approving the Corporate Responsibility Corporate Policy.
- Accountability for Corporate Responsibility rests with Vaikke Murusalu, Vice President and Senior Operational Risk Officer for BMO Financial Group.
- Accountability for climate change impacts to our own operations rests with Michael Thornburrow, Senior Vice President, Corporate Real Estate, Procurement and Strategic Sourcing.
- Accountability for climate change impacts related to our lending and financing rests within the Corporate Responsibility group.

What is the mechanism by which the Board or other executive body reviews the company’s progress and status regarding climate change?

**BMO Financial Group Response**

We have a cross enterprise executive committee with representation from the various areas which we will use as a forum to discuss climate change related issues and progress. Any issues requiring escalation will be brought to the senior level Management Committee which the CEO leads.

Further escalation to the Board is at the discretion of the CEO and will depend on materiality.

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## INDIVIDUAL PERFORMANCE

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Do you assess or provide incentive mechanisms for individual management of climate change issues including attainment of GHG targets? If so, provide details.

### **BMO Financial Group Response**

Yes, we do.

Management of climate change issues is the key part of the Environmental Sustainability group's mandate and objectives. The determination of incentive payout is aligned with how well objectives are met.

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## COMMUNICATIONS

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Indicate whether you publish information about the risks and opportunities presented to your company by climate change, details of your GHG emissions and plans to reduce emissions through any of the following communications:

- (i) the company's Annual Report or other statutory filings
- (ii) formal communications with shareholders or external parties
- (iii) voluntary communications such as Corporate Social Responsibility reporting

### **BMO Financial Group Response**

#### **The company's Annual Report or other statutory filings**

Yes.

See page 73 of BMO's 190th Annual Report 2007.

#### **Formal communications with shareholders or external parties**

Yes.

In addition to discussion in BMO's 190th Annual Report 2007 and annual Corporate Responsibility report, we published our Environmental Policy & Action Plan of which climate change is a major component. The documents are available on our public web site at [www.bmo.com](http://www.bmo.com).

#### **Voluntary communications such as Corporate Social Responsibility reporting**

Yes.

BMO has produced a Corporate Responsibility Report annually since 2004.

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## PUBLIC POLICY

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Do you engage with policymakers on possible responses to climate change including taxation, regulation and carbon trading?

### **BMO Financial Group Response**

No.

**Additional information:**

Not specifically, however, our CEO is a member of the Canadian Council of Chief Executives, a not-for-profit, non-partisan organization composed of the CEOs of Canada's leading enterprises engaged in an active program of public policy research, consultation and advocacy. One of the recent areas of public policy has been the environment and the Canadian Government's need for a clear coordinated strategy on climate change.