

Bank of Montreal

Enabling Canada's Prosperity in the 21st Century

Address delivered by

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October 26, 2022





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“We all know Canada is one of the greatest countries in the world, but can it be a global economic leader in this reorganizing world?”

CHECK AGAINST DELIVERY

October 26, 2022 | Montreal, Quebec

What a great turnout. Thank you to the organizers at Le Cercle Canadien for this opportunity.

As I look around, I must say it is good to be home and surrounded by this vibrant community.

You might not know but like so many of our neighbours contributing to our vibrant society here in Montreal, I too immigrated to Quebec when I was very young... all the way from Ontario!

My family has deep Quebecois roots, but my Dad had just taken a new temporary role in Ontario, and so I was born in Scarborough.

When I was one year old, my family returned, and my brother and I were blessed to learn French and English while growing up in Montreal, one of the world's most dynamic and cosmopolitan cities.

Eventually, I made my home here, raised my kids here, and my heart remains here. It is so good to be here among friends!

It's no surprise Montreal continues to be a destination of choice for so many like me and my parents, to realize their dreams. And it's no surprise that the founders of our bank made the same choice to call Montreal "home".

BMO's success in Montreal, Canada and North America

In fact, we first opened our doors in 1817 about 500 meters from here in rented rooms on Rue Saint-Paul. Two years later, we built Canada's first purpose-built bank just down the street on Rue Saint-Jacques, where BMO's Head Office proudly stands today.

Next week, we'll celebrate our 205th year of serving clients and supporting our communities.

It was Montreal that provided the foundation for BMO to become one of the world's strongest financial institutions, North America's 8th largest bank, and the bank most deeply integrated across the Canada-US border.

While we've also been operating in the United States since 1818, we've been steadily growing our presence in the U.S. ever since, with our acquisition of Harris Bank in 1984 and M&I in 2011.

Once approved, we will complete the largest bank acquisition in Canadian history, growing the reach – once again – of the Bank of Montreal.

Our pending acquisition of California-based Bank of the West is the natural next step in our North American growth strategy, bringing two strong banks together that share the same focus on progress for our clients and communities.

We owe our success to our Montreal DNA, and to a country with “a belief in ordered liberty, enterprise, hard work and fair play”.¹

Canadians have built a prosperous society from coast to coast to coast. We all know Canada is one of the greatest countries in the world, but can it be a global economic leader in this reorganizing world?

Where else in the world can we find:

- The fastest growing population among G7 nations
- An economy with the greatest free trade access to the rest of the world
- Governments – across all political stripes, federal and provincial – with a global reputation for sound policy and respect for democratic institutions
- A business community making pragmatic and practical progress in the global transition to a net zero world
- One of the world’s richest stores of the highest-in-demand critical minerals
- A land with world-leading access to renewable energy sources

Canada has a lot going for it...

Nearly 120 years ago, Prime Minister Wilfrid Laurier spoke about Canada’s potential. While many of his predictions came to light, with the benefit of hindsight, I believe he was ultimately wrong about the 20th century being “Canada’s” ... and I know everyone in this room wants to make him right about the 21st.

Canada, and our North American partners, can come out on top in the 21st century – but only if we can clearly identify our strengths, focus our efforts on the most strategic natural advantages we have, and embrace a common ambition for what can be achieved.

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The fastest growing population among G7 nations

Like my family moving back to Quebec when I was a child, many people searching for a new place to work, study, and raise a family are choosing Canada, which is surpassing all other advanced economies as a destination of choice.

Alongside significant social advantages like peace, pluralism and democracy, we’re a destination of choice because the strength of our economy inspires hope for a better future.

Canada’s economic growth is a function of productivity and population growth. And the predominant source of that growing population is immigration.

Canada’s year over year percentage change in population was 1.8% in 2022 – the fastest among G7 nations.

¹Immigration, Refugees and Citizenship Canada

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Countries with immigration-positive policy have a major global economic competitive advantage. Compared to our peers and to many emerging markets we compete with, Canada is growing faster and younger, while others are growing slower and older.

Birth rates are not driving these trends. Immigration is the key driver of population growth that will enable our prosperity in the 21st century and it's essential that we continue to be thoughtful, deliberate and strategic about it.

As we know, in Quebec, it's of fundamental importance that we strike a balance between growth, and language and culture.

We can and we must strike that balance. Quebec needs the population growth that drives the economic growth necessary to sustain and strengthen our collective future.

Without it we will perpetuate the fact that, compared to the rest of Canada, Quebec's population is getting older. In Quebec, there are now more people over the age of 65 and fewer people under 20 than all of Canada, which means getting immigration policy right is essential to the collective prosperity of everyone in this room.

With an expected 1.2 million Quebeckers poised to retire over a nine-year period to 2026³, the demographic shift that's contributing to worker shortages today gets worse.

In the five years leading up to the pandemic, Quebec posted its best economic performance in almost 20 years, with real GDP growth topping the national average – that's thanks to a highly innovative economy and it's also thanks to skilled newcomers.

Newcomers want to immigrate here exactly because of what cities like Montreal have to offer. A place with a dynamic economy creating jobs, a cosmopolitan culture, and bilingualism that's seen as an advantage.

The French language and our rich culture are treasures that make Quebec so attractive. Protecting those treasures is our common responsibility.

This means this responsibility is not incumbent on the government. It's for all of us: As citizens, individuals and corporations we must ensure the use of French is fostered regardless of linguistic background, ethnic origins or global ambitions.

BMO has been operating in French since our inception, while offering global resources, products and solutions few financial institutions can offer. Our commitment to ensuring that the French language thrives at BMO – well beyond any legal requirement – is a long-standing principle that we are proud to maintain.

The greatest free trade access to the rest of the world

Prime Minister Laurier was right that our country's two founding linguistic groups would be stronger together, as was he right that Canada would need newcomers to grow.

Most remarkable was his belief that free trade would propel Canada's economic progress.

Today, Canada is the only country in the world with comprehensive free trade access to the entire G7, the European Union, and the Trans-Pacific nations. With 15 free trade agreements that cover 61% of the world's GDP, Canadian exporters have access to 1.5 billion global consumers.

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South of the border, this advantaged trade position continues to open doors for Quebec companies.

When the Biden Administration announced the Inflation Reduction Act – the single biggest climate action commitment in U.S. history – they specified countries from which they would accept critical minerals to produce electric vehicle batteries.

This was their way of reducing economic reliance on certain countries and promoting “friend-shoring” with countries with U.S. free trade agreements.

In other words, that’s Canada... home to one of the world’s richest stores of critical minerals to support the clean energy transition.

Home to the richest stores of critical minerals

Not only is Canada home to critical minerals that will power the green economy, it’s also known as “a trusted supplier of responsibly sourced mineral and metal products.”

That’s important, because as demand significantly increases, “Canada has the science, technologies, and tools to be a leader in the sustainable development of critical minerals.”²

We can enable the clean energy transition and reduce reliance on less sustainable and geopolitically unstable mineral-producing countries through bilateral and multilateral alliances.

We have what the world wants, right here in Quebec. Our province is home to the most lithium found in Canada – one of the most sought-after minerals used in electric vehicle batteries.

And our province recently saw two major mining announcements:

- Last week, Nouveau Monde Graphite announced the creation of an environmentally friendly North American battery supply chain through the development of their ore-to-battery material graphite project – part of a strategic partnership with Panasonic Energy and Mitsui.
- And earlier this month, Rio Tinto announced the modernization and decarbonization of their Sorel-Tracy plant, putting Quebec on the map as one of the first North American producers of titanium, a highly strategic metal.

These developments pave the way “to make Canada the supplier of choice”³ for sustainably sourced critical minerals.

² The scramble for rare earths carries big geopolitical risks/ Canada’s critical minerals strategy: Discussion paper

³ Rio Tinto, Ottawa to invest \$737-million in titanium and scandium project in Quebec

We have the resources and expertise to aid in the clean energy transition with ethical sourcing and high environmental standards of critical mineral extraction. If we can set the right framework and policies to utilize our resources responsibly, in consultation with Indigenous Peoples and their governance, we can offer the contractual certainty to large projects that will make our country the world leader it can be.

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On the right side of the climate transition

At BMO we've committed to being our clients' lead partner in the transition to a net zero world. This means working with clients on the leading edge of new technologies, and it means supporting the transition of our traditional energy clients working hard to change their emissions profile.

While others are trying to figure out how to play a role in the clean energy economy, we are leading the way. We're on the right side of financing the energy transition and recognize the critical role of banks in catalyzing climate action.

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Among the learnings from the tragic war in Ukraine is just how fragile our global energy system is, and that we need to invest simultaneously in the solutions of today and tomorrow.

This does not need to be an either/or debate.

As a banker, I was trained to be a problem-solver and embrace pragmatism. At BMO, we're taking steps to drive our financing activities and operations in support of this transition:

- We established the BMO Climate Institute, a centre of expertise bridging policy, science, and finance to help shape the market for financing climate solutions. It's so cutting edge that we think other institutions will have no choice but to create similar initiatives.
- We've both set targets for reducing Scope 1, 2 and 3 financed emissions and set targets for sustainable financing to support the transition.
- We joined the Global Net-Zero Banking Alliance.
- And we were named the most sustainable bank in North America by Corporate Knights.

The energy transition is just that – a transition. It will require greater investment in scalable renewable sources, but it will also require a focus on supporting carbon intensive sectors on their pathways to the reduction of emission. We must get the pace right to ensure success.

A new initiative of Canadian Oilsands producers, the Pathways Alliance, representing 95% of Canadian production, recently agreed to invest \$24 billion to aggressively decarbonize the use of fossil fuels and reduce greenhouse gas emissions. This is ground-breaking and a win for Canadian energy.

Here in Quebec, we're blessed with abundant sources of renewable hydro electricity. But the rest of the world is less fortunate. It remains that 83% of the global energy supply comes from fossil fuels, with the highest carbon-emitting sources currently serving as the largest contributors to global energy supply.

To help transition the world away from the dirtiest sources of energy and geopolitically unstable partners, we need to embrace the strategic natural advantages we have and become the supplier of choice for our friends – with the cleanest and most ethically sourced liquid natural gas in the world – a resource abundantly available across Canada.

Liquefied natural gas, or LNG, can serve as a transition fuel in getting to net zero. It's considered the cleanest of the fossil fuels and helps with the 'energy trilemma' – what the World Energy Council says is essential to healthy energy systems: energy security, energy equity and environmental sustainability.

While LNG projects will produce greenhouse gas emissions for Canada, they will be offset by the reduction of emissions globally, when replacing the dirtiest energy sources.

It is a trade off, but one we must consider for the greater global good. We don't have the luxury of being able to think only inside our own borders. When our friends in Europe need new sources of energy, we should want Canadian energy to be at the top of their solution set. We are, after all, the only country to have investment treaties in place with all 27 EU member states.

At the same time, achieving global climate targets is very important. Here at home, we can play a major role, including with our homegrown Quebec innovation. I'm

incredibly proud of the ground-breaking renewable energy initiatives of the clients we serve:

- Montreal-based companies with international reach like Innergex and Boralex are producing wind, solar, hydroelectric and thermal energy for Canada and the world.
- Saint-Jérôme-based Lion Electric Company is bringing its all-electric fleet of buses and urban trucks to the world as one of the most advanced electric vehicle manufacturers in its segment globally.
- Let's not forget Hydro-Québec, Canada's biggest electricity producer, whose recent expansion into Maine is helping meet growing international demand for renewable energy.
- Local funds like Cycle Capital, Idealist Capital and Power Sustainable are leading the way in investment into clean technology solutions and renewable energy deployment.
- And our largest Quebec capital providers like Caisse de Depot, Investissement Québec and Fonds de Solidarité FTQ are deploying capital in strategic ways to help transform Quebec businesses into global climate champions.

Quebec has a lot to be proud of. We have all of the key players and key resources and our innovation is leading on a world stage.

What is needed to put Quebec and Canada on top?

Quebec and Canada are uniquely well-positioned for global leadership. At its heart, improving our international competitiveness is about our strategic natural advantages: How do we continue to achieve leading economic growth? And how do we help make the world more energy secure while supporting the climate transition?

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First, we must get deliberate, intentional, and strategic about immigration. There is an undeniable correlation between population growth and economic prosperity. So far, Canada has the inside track on our global competitors.

Second, policy makers and regulators must align their agendas and enable Canada to be a leading global supplier of the critical minerals that will drive the clean energy transition. Imagine a scenario where all three levels of government came together with the private sector, acknowledged their constitutional roles, and agreed to urgently address a short-list of the most challenging inter-jurisdictional issues currently impeding progress. Imagine what we could achieve if we set a common goal of making Canada the world’s most environmentally responsible and effective jurisdiction at permitting mineral and energy extraction.

I believe the world needs more of what Canada has to offer, more of what Quebec has to offer, and we all have more to give that will propel our collective prosperity.

At BMO, we’re committed to driving solutions on the world stage, as well as right here at home. And by working together across governments, sectors and regions, I fundamentally believe that Canada and Quebec can achieve their full potential in the 21st century.