

# BMO Financial Group's Response to the Carbon Disclosure Project (CDP 2009)

June 2009

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# Carbon Disclosure Project (CDP 2009) 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.

# Section 1 - Risks and opportunities

## 1. Regulatory risks: (CDP6 1(a)(i))

1.1 Is your company exposed to regulatory risks related to climate change?

### **BMO Financial Group response**

We do not consider our company to be exposed to regulatory risks.

Our views have not changed in the past 12 months. Similarly to last year, we are not directly exposed to regulatory risks; however as a North American financial services institution, our client base is primarily the United States and Canada and as both countries' regulatory frameworks to reduce air emissions unfold, companies in industrial sectors may face financial, reputation, competitiveness, regulatory & litigation risk as a result of their ability to deal with requirements of the frameworks in addition to the physical impacts of climate change.

BMO Financial Group has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. These risks are classified as credit and counterparty, market, liquidity and funding, operational, business, model, strategic, reputation and environmental risk. Specific risks related to climate change fall under the category of environmental risk. In evaluating a client, we consider all risks in an integrated manner. For those clients that are in carbon intensive industries, we seek to understand the borrower's climate change adaptation and mitigation strategies. We 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.

The regulatory landscape is changing and emissions requirements affecting specific sectors (e.g. energy) are evolving on a regular basis. We monitor changes in the external operating environment and assess how that may impact our clients, following that up with direct conversations to determine their level of preparedness. 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.

## 2. Physical risks: (CDP6 1(a)(ii))

2.1 Is your company exposed to physical risks from climate change?

### **BMO Financial Group response**

We consider our company to be exposed to physical risks.

Due to both their high likelihood of occurrence and moderate to high impacts when they occur, severe weather-related natural events are significant hazards. In addition to impacts on human safety, property damage and service interruption, weather-related hazards (e.g., blizzard/snowfall, ice storm, severe thunderstorm, hurricanes, tornadoes and temperature extremes) can cause secondary disruptions to transportation, power and telecommunications. These cascading effects exacerbate the service impacts, making it difficult for employees to get to and from the office, or disrupt critical infrastructure on which we rely.

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 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. 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.

In order to minimize the disruption of weather-related hazards to our operations, we have preventative or mitigating actions in place that are updated on a regular basis. In addition, each business group develops business continuity plans appropriate to the time sensitivity of the activities it performs. Examples of business continuity strategies include split operations, and employees working from home or other alternate locations. In the event that our branches are unable to operate, we rely on our wide distribution network (several branches in an area) as well as alternate delivery channels (online banking, telephone banking) to provide service to our customers. The financial implications of these actions are not material as they represent existing alternative means of conducting our businesses. Our planning has helped keep the impacts we've experienced slight. A partial list of events includes:

- 1998: The “Great Ice Storm” affecting eastern Ontario, southern Quebec and as far east as Nova Scotia

- June '01: Flood in Houston; Hurricane Juan in Atlantic Canada, especially the Halifax area
- Aug '03: Forest fires in B.C.
- Sep '04: Hurricane Frances affecting Florida and the Atlantic Provinces
- Jan '05: Back-to-back blizzards (a week apart) in the Maritimes (Blizzards routinely result in branch closures across many divisions of our retail bank in both Canada and the U.S.
- '05, '07 & '08 – Hurricanes Katrina, Rita, Wilma, Ike and others affected our operations in Florida and Houston, sometimes extending to Nova Scotia and Newfoundland.

Our views have not changed in the past 12 months - as evidenced by the partial list above, we have been managing physical risks for some time.

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.

### 3. Other risks: (CDP6 1(a)(iii))

3.1 Is your company exposed to other risks as a result of climate change?

#### **BMO Financial Group response**

We consider our company to be exposed to other risks.

Similarly to our answer last year, in addition to the risks articulated above, we continue to 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.

BMO Financial Group has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. These risks are classified as credit and counterparty, market, liquidity and funding, operational, business, model, strategic, reputation and environmental risk. Specific risks related to climate change fall under the category of environmental risk but failure on our part to pay attention to any aspect of the risks identified may not only have an impact on our business but will also negatively impact our reputation.

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#### 4. Regulatory opportunities: (CDP6 1(b)(i))

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4.1 Do regulatory requirements on climate change present opportunities for your company?

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

Regulatory requirements present opportunities for my company.

As a North American Financial Services firm, 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. Since 2001, BMO has been involved in over \$3 billion of financing transactions including wind, hydro-electric and biomass projects. As the regulatory environment in Canada and the US evolves, we will continue to monitor developments in the various emissions trading systems and when needed, will support our client base in this respect as well. In the meantime, opportunities are identified during regular relationship discussions with our existing client base and then evaluated in accordance with our risk assessment framework. There are strict guidelines that must be adhered to regarding the financial viability of opportunities assessed and potential business opportunities must fit within our risk tolerance and profile for them to be considered. Global financial events of the past year have underlined the need to be vigilant in our financing portfolios - something we have always done and will continue to do.

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#### 5. Physical opportunities: (CDP6 1(b)(ii))

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5.1 Do physical changes resulting from climate change present opportunities for your company?

##### **BMO Financial Group response**

Physical changes present opportunities for my company.

Our views have not changed in the last 12 months. As a matter of course, we are involved in Infrastructure Finance in the communities in which we operate (e.g. roads, building facilities, etc.). The volume and need may increase as the physical impacts of climate change become more apparent. This will present opportunities for us that will be assessed in the context of our financing guidelines and balanced against our risk appetite at the time.

In January 2008, we outsourced the facilities management of our 850 Canadian retail branches to a third party. A key aspect of the relationship is environmental sustainability management across these facilities. An efficiency performance benchmark (consumption intensity/m<sup>2</sup>) has been completed for the majority of

these facilities and a five-year capital improvement plan has recently been presented recommending specific actions and initiatives we can undertake to help us further reduce our carbon impact. Examples of these recommendations made by our facilities manager include: HVAC system upgrades (unit replacements, heating/cooling zoning), lighting retrofits (T12 to T8/T5) and building envelope retrofits (single pane to double-glazed window replacements).

In our office towers and other critical facilities (operations centres) we continue to actively assess the building infrastructure for similar opportunities to upgrade equipment, retrofit for improved efficiency and refine operating processes and reduce our overall emissions impacts.

For branch facilities in Ontario, Canada we have just finalized a contract to purchase energy in bulk, at the wholesale level, to proactively manage our expenses in the face of rising fuel costs. We continue to explore other opportunities in this regard.

## 6. Other opportunities: (CDP6 1(b)(iii))

6.1. Does climate change present other opportunities for your company?

### **BMO Financial Group response**

Climate change presents other opportunities for my company.

Recognizing that climate change presents increasing risks related to changing weather patterns, we accept reinsurance from other entities for catastrophic property and casualty covering natural perils such as earthquakes, windstorms and hurricanes in the US, Canada, Europe, Japan and Australia. Premiums are set annually and are based on expected losses reflecting scientific modelling of global weather patterns (e.g. wind, earthquakes, etc.).

Our customers are seeking ways to limit their impact on the environment and providing them with solutions presents an opportunity for us. In 2008, BMO launched two new mutual funds managed by Zurich-based Sustainable Asset Management (SAM) leaders in the field of sustainable investing.

- BMO Sustainable Climate Class; provides exposure to equities around the world that offer technologies, products or services that are expected to reduce or delay climate change, or alleviate the consequences of global warming.
- BMO Sustainable Opportunities Class; provides exposure to equity securities of a

globally diversified portfolio of companies that are leaders in the field of sustainability like new energy sources, water, materials, healthy living and climate change.

As we execute against our ECO5 strategy and move towards carbon neutrality in 2010, there is also the opportunity for us to invest in various projects that would yield offsets that we use for our own account.

Our views have not changed over the past 12 months however, as evidenced from the comments above, we continue to take advantage of opportunities where it makes sense for our business.

## Section 2 – Greenhouse Gas (GHG) Emissions accounting, emissions intensity, energy and trading

### 7. Reporting year (CDP6 Q2(a)(ii))

7.1. Please state the start date and end date of the year for which you are reporting GHG emissions.

#### **BMO Financial Group response**

Start date: 01 January 2008

End date: 31 December 2008

Other: We have chosen the 12-month calendar year to align with the various information providers (e.g., utilities) that we use. For 2009 emissions, we expect to move to a financial accounting year-end reporting date.

### 8. Reporting Boundary: (CDP6 Q2(a)(i))

8.1. Please indicate the category that describes the company, entities, or group for which Scope 1 and Scope 2 GHG emissions are reported.

#### **BMO Financial Group response**

Companies over which financial control is exercised – per consolidated audited Financial Statements.

8.2. Please state whether any parts of your business or sources of GHG emissions are excluded from your reporting boundary.

#### **BMO Financial Group response**

None. All sources of GHG emissions within the reporting boundary stated above are accounted for.

## 9. Methodology: (CDP6 Q2(a)(iii))

9.1. Please describe the process used by your company to calculate Scope 1 and Scope 2 GHG emissions including the name of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 GHG emissions.

### **BMO Financial Group response**

Process used for calculating emissions:

In 2008, BMO retained the services of an external climate change consultant (ICF International) and are utilizing a customized version of ICF International's GHG:ID™ tool for the calculation of our greenhouse gas emissions. This tool was also used to calculate our CDP7 results inclusive of Scope 1, Scope 2 and Scope 3 emissions.

This database is updated annually to reflect the current regional and sub-regional energy intensity factors by facility type, as well as greenhouse gas emission factors (global, regional and sub-regional) and source types.

The ICF International GHG:ID tool for BMO is fully compliant with both:

- "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute and the World Business Council for Sustainable Development ("the 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.

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.

Process used for collecting activity data:

For owned real estate facilities (Scope 1 and Scope 2), we utilize the following data collection methodology:

1) Consumption data is gathered directly from utilities invoices paid for each property via the following sources:

Canada Retail facilities - third-party facilities management provider

Canada Office and Special Purpose facilities - internal Corporate Real Estate personnel

USA Retail facilities - third-party facilities management provider

The monthly data is then consolidated in a spreadsheet for each property. The input is verified independently on a sample basis and sampling verification is

## Methodology

weighted towards the larger facilities to minimize the risk of significant error. Prior to reporting, we routinely review intensities (consumption/square foot) to identify any additional anomalies.

Our calculation methodology for owned real estate facilities includes calculations for the following GHGs:

- Carbon dioxide (CO<sub>2</sub>)
- Methane (CH<sub>4</sub>)
- Nitrous oxide (N<sub>2</sub>O)

Our calculation methodology for owned real estate facilities does not include calculations for the following GHGs for the following reasons:

- Hydrofluorocarbons (HFCs) family of gases – For the 2008 reporting period, there were no reported instances of HFC leakage, from the closed systems HVAC units operated. Additionally, any such instances of leaks, if noted, would certainly be de minimis
- Perfluorocarbons (PFCs) family of gases – not applicable for a financial institution
- Sulphur hexafluoride (SF<sub>6</sub>) - not applicable for a financial institution

For owned transportation equipment (Scope 1) data, we utilize the following data collection methodology:

1) Transportation equipment data is gathered from internal records and consists either of actual volume of fuel consumption (litres) or actual distances travelled (kilometres/miles) per equipment type. Consumption and/or distance travelled/vehicle type information is then input to the ICF International GHG:ID Tool to calculate the relevant emissions.

Our calculation methodology for transportation equipment includes calculations only for Carbon Dioxide (CO<sub>2</sub>) as this is all that is available from the GHG Protocol – Mobile source.

Select methodologies:

### **BMO Financial Group response**

ISO 14064-1

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

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## Methodology

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9.2. Details of any assumptions made.

### **BMO Financial Group response**

For real estate premises, where actual consumption data is not available, we utilize an estimation methodology, detailed as follows:

Within the GHG:ID tool, after all actual data is loaded we use the functionality provided to estimate consumption based on the following criteria:

- 1) where sample size of actual data is sufficient at the subregional level, for each type of facility (e.g. office, retail, operations centre, etc.) we use this "averaged" facility intensity information to estimate for like facilities in the portfolio across electricity, natural gas, heating oil and diesel as appropriate
- 2) where sample size of available actual data is not sufficient at the subregional level, we default to the subregional intensity reference data (NRCan or US EPA - factors updated annually or as available) for each type of facility (e.g. office, retail, operations centre, etc.) to estimate for like facilities in the portfolio across electricity, natural gas, heating oil and diesel as appropriate
- 3) for those facilities in areas where subregional data (actual or reference data) is not available, we default to regional actual data (if sufficient sample size exists) or regional reference data (from the IEA) as appropriate.

We believe that using these three estimation techniques provides conservative, defensible, referential and reasonable estimation of energy consumption where no data exists.

For transportation equipment where fuel consumption is not available, we use distance travelled and fuel efficiency data for a mid-sized automobile to approximate the consumption. This is then used to determine the relative emissions.

For perspective, the total amount of emissions estimated in this year's submission (all Scopes) is just under 23% and we continue to focus on reducing this percentage every year.

9.3. The names of and links to any calculation tools used.

### **BMO Financial Group response**

ICF International GHG:ID tool - customized for BMO Financial Group use. The GHG:ID tool leverages calculations from the sources contained in the attached pdf document entitled: GHG - ID References (9.3).

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## Methodology

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9.4. The global warming potentials you have applied and their origin.

### **BMO Financial Group response**

ICF International GHG:ID tool - customized for BMO Financial Group use. The GHG:ID tool uses global warming potentials for gases from the sources contained in the attached pdf document entitled:

GWP Gases (9.4)

9.5. The emission factors you have applied and their origin.

### **BMO Financial Group response**

ICF International GHG:ID tool - customized for BMO Financial Group use. The GHG:ID tool uses emissions factors/sources as contained in the attached pdf documents entitled:

Global Gas Emissions Intensities (9.5)

Regional Gas Emissions Intensities - Electricity (9.5)

Sub-Regional Gas Emissions Intensities - Electricity (9.5)

Further information

### **BMO Financial Group response**

[GHG - ID References \(9.3\).pdf](#)

[GWP Gases \(9.4\).pdf](#)

[Global Gas Emissions Intensities \(9.5\).pdf](#)

[Regional Gas Emissions Intensities - Electricity \(9.5\).pdf](#)

[Sub-Regional Gas Emissions Intensities - Electricity \(9.5\).pdf](#)

## Scope 1 and Scope 2 of GHG emissions

Accounting year used to report GHG-emissions details below:  
Please answer the following questions using Table 1.

10.1. Total gross global Scope 1 GHG emissions in metric tonnes of CO<sub>2</sub>e

Total gross global Scope 1 emissions by:

10.2. Country or region

Where it will facilitate a better understanding of your business, please also break down your total global Scope 1 emissions by:  
10.3. Business division and/or  
10.4. facility

### BMO Financial Group response

Start date: 01 January 2008

End date: 31 December 2008

Table 1

GHG emissions details	
<b>Scope 1 - Direct GHG emissions</b>	
10.1. Total gross global Scope 1 GHG emissions in metric tonnes CO <sub>2</sub> e	15,898 tCO <sub>2</sub> e
10.2. Gross Scope 1 emissions in metric tonnes CO <sub>2</sub> e by country or region	
Canada	15,193 tCO <sub>2</sub> e
USA	705 tCO <sub>2</sub> e
<b>Table 5</b>	
<b>Scope 2 - Indirect GHG emissions</b>	
11.1. Total gross global Scope 2 GHG emissions in metric tonnes CO <sub>2</sub> e	32,980 tCO <sub>2</sub> e
11.2. Gross Scope 2 emissions in metric tonnes of CO <sub>2</sub> e by country or region	
Canada	28,845 tCO <sub>2</sub> e
USA	4,135 tCO <sub>2</sub> e

Table 2

10.3. Business division	Scope 1 (metric tCO <sub>2</sub> e)
Total gross global Scope 1 GHG emissions in metric tonnes CO <sub>2</sub> e - answer to question Q10.1	15,898 tCO <sub>2</sub> e
Bank of Montreal	15,185 tCO <sub>2</sub> e
BMO Nesbitt Burns	8 tCO <sub>2</sub> e
Harris NA	705 tCO <sub>2</sub> e

Table 3

10.4. Facility	Scope 1 (metric tCO <sub>2</sub> e)
Total gross global Scope 1 GHG emissions in metric tonnes CO <sub>2</sub> e - answer to question Q10.1	15,898 tCO <sub>2</sub> e
Retail facilities (branches, ABMs)	7,150 tCO <sub>2</sub> e
Office facilities	2,694 tCO <sub>2</sub> e
Special purpose facilities (operations centres, learning centre)	3,951 tCO <sub>2</sub> e
Transportation equipment	2,103 tCO <sub>2</sub> e

10.5. Please break down your total global Scope 1 GHG emissions in metric tonnes of the gas and metric tonnes of CO<sub>2</sub>e by GHG type. (Only data for the current reporting year requested.)

### BMO Financial Group response

Table 4

Scope 1 GHG type	Unit	Quantity
CO <sub>2</sub>	Metric tonnes	15,855
CH <sub>4</sub>	Metric tonnes	1
CH <sub>4</sub>	Metric tonnes CO <sub>2</sub> e	29
N <sub>2</sub> O	Metric tonnes	0
N <sub>2</sub> O	Metric tonnes CO <sub>2</sub> e	14
HFCs	Metric tonnes	0
HFCs	Metric tonnes CO <sub>2</sub> e	0
PFCs	Metric tonnes	0
PFCs	Metric tonnes CO <sub>2</sub> e	0
SF <sub>6</sub>	Metric tonnes	0
SF <sub>6</sub>	Metric tonnes CO <sub>2</sub> e	0

10.6. If you have not provided any information about Scope 1 emissions in response to the questions above, please explain your reasons and describe any plans you have for collecting Scope 1 GHG emissions information in future.

**BMO Financial Group response**

Note: the requirement to report whole numbers only in Table 4 above precludes us from reporting an accurate number for metric tonnes N<sub>2</sub>O. As our tCO<sub>2</sub>e for N<sub>2</sub>O is very small, the actual tonnage N<sub>2</sub>O is less than 0.05.

Scope 1 emissions have all been provided. Please see the following comment. As stated previously in question 9.1, our calculation methodology for owned real estate facilities includes calculations for the following GHGs:

- Carbon dioxide (CO<sub>2</sub>)
- Methane (CH<sub>4</sub>)
- Nitrous oxide (N<sub>2</sub>O)

Our calculation methodology for owned real estate facilities does not include calculations for the following GHGs for the following reasons:

- Hydrofluorocarbons (HFCs) family of gases – for the 2008 reporting period, there were no reported instances of HFC leakage, from the closed systems HVAC units operated. Additionally, any such instances of leaks, if noted, would certainly be de minimis.
- Perfluorocarbons (PFCs) family of gases – not applicable for a financial institution
- Sulphur hexafluoride (SF<sub>6</sub>) - not applicable for a financial institution

Our calculation methodology for transportation equipment includes calculations only for Carbon Dioxide (CO<sub>2</sub>) as this is all that is available from the GHG Protocol – Mobile source.

**11. Scope 2 Indirect GHG emissions: (CDP6 Q2(b)(i))**

Where it will facilitate a better understanding of your business, please also break down your total global Scope 2 emissions by:  
 11.3. Business division and/or  
 11.4. facility

**BMO Financial Group response**

All applicable Scope 2 emissions data has been provided.

Table 6

11.3. Business divisions	Scope 2 (metric tCO <sub>2</sub> e)
Total gross global Scope 2 GHG emissions in metric tonnes CO <sub>2</sub> e - answer to question Q11.1	32,980 tCO <sub>2</sub> e
Bank of Montreal	28,844 tCO <sub>2</sub> e
BMO Nesbitt Burns	1 tCO <sub>2</sub> e
Harris NA	4,135 tCO <sub>2</sub> e

Table 7

11.4. Facility	Scope 2 (metric tCO <sub>2</sub> e)
Total gross global Scope 2 GHG emissions in metric tonnes CO <sub>2</sub> e - answer to question Q11.1	32,980 tCO <sub>2</sub> e
Retail facilities (branches, ABMs)	13,816 tCO <sub>2</sub> e
Office facilities	4,403 tCO <sub>2</sub> e
Special purpose facilities (operations centres, learning centre)	14,761 tCO <sub>2</sub> e

11.5. If you have not provided any information about Scope 2 emissions in response to the questions above, please explain your reasons and describe any plans you have for collecting Scope 2 GHG emissions information in future.

**BMO Financial Group response**

All applicable Scope 2 emissions data has been provided.

**12. Contractual arrangements supporting particular types of electricity generation: (CDP6 Q2(b)(i)-Guidance)**

12.1. If you consider that the grid average factor used to report Scope 2 emissions in question 11 does not reflect the contractual arrangements you have with electricity suppliers, (for example, because you purchase electricity using a zero or low carbon electricity tariff), you may calculate and report a contractual Scope 2 figure in response to this question, showing the origin of the

**BMO Financial Group response**

Restatement of Scope 2 Emissions based on zero or low carbon electricity tariff supported by purchase of renewable electricity in the provinces of Alberta, British Columbia and Ontario (Canada), and the states of Illinois and Indiana (USA).

Restated Scope 2 emissions (net) total  
29,354 tCO<sub>2</sub>e

Restated Scope 2 emissions (net) breakdown - Canada  
25,358 tCO<sub>2</sub>e

Restated Scope 2 emissions (net) breakdown - USA  
3,996 tCO<sub>2</sub>e

alternative emission factor and information about the tariff.

Calculation methodology:

Gross Scope 2 emissions as stated in Q 11.1 & 11.2, less 100% renewable electricity purchases, calculated as:

Consumption (kwh) emission factors used for each of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O for the provinces of Alberta, British Columbia and Ontario (Canada) and Illinois and Indiana (USA) as per same sources as described in question 9.5 - see attached pdf file entitled "Sub-Regional Gas Emissions Intensities - Electricity (9.5)".

Resulting in net Scope 2 emissions reported.

See attached files entitled "Renewable Electricity - Scope 2 reductions CAD" and "Renewable Electricity - Scope 2 reductions USD" for the basis of calculation of 100% renewable electricity reductions.

12.2. If you retire any certificates (eg: Renewable Energy Certificates) associated with zero or low carbon electricity, please provide details.

### **BMO Financial Group response**

For the reporting period, BMO Financial Group has purchased a cumulative total of 8,388 MWH of renewable electricity in Canada from energy retailer - Bullfrog Power Inc. Bullfrog Power Inc. is Ontario's first electricity retailer to sell power (RECs) exclusively from EcoLogo-certified wind and low-impact hydro generators. BMO has thus far deployed this renewable energy in retail branches in the provinces of Alberta, British Columbia and Ontario.

The associated Scope 2 emissions reductions from these RECs are 3,488 tCO<sub>2</sub>e.

The Renewable Energy Certificates associated with these purchases have been retired as per the legal contract between BMO Financial Group (legal entity Bank of Montreal) and Bullfrog Power Inc. The current contracts, started in 2007 and 2008, (two separate purchases) and each run for a three-year term. Each contract provides for assurance that RECs will only be retired and will not be sold or transferred by Bullfrog Power Inc. to any party.

In the USA, BMO Financial Group has purchased RECs to support two LEED registered retail branch facilities with the total amount purchased totalling 190,000 kwh.

The associated Scope 2 emissions reductions from these RECs are 139 tCO<sub>2</sub>e. The Renewable Energy Certificates associated with these purchases have been

Further information

retired as per the legal contract between BMO Financial Group (Harris Bank) and Constellation Energy (Illinois) and 3Degrees (Indiana). The current contracts, started in 2008, run for two years (Illinois property) and one year (Indiana property). Each contract provides for assurance that RECs will only be retired and will not be sold or transferred by the sellers to any party.

### **BMO Financial Group Response**

[Renewable Electricity - Scope 2 reductions CAD.pdf](#)

[Renewable Electricity - Scope 2 reductions USD.pdf](#)

## **13. Scope 3 Other indirect GHG emissions: (CDP6 Q2(c))**

For each of the following categories, please:

- Describe the main sources of emissions,
- Report emissions in metric tonnes of CO<sub>2</sub>e,
- State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

13.1. Employee business travel  
Describe the main sources of emissions.

### **BMO Financial Group Response**

As a financial institution, our most significant Scope 3 emissions relating to employee business travel include the following:

- commercial air
- ground travel including:
  - employees' personal vehicles
  - rail
  - rental vehicles

Category	Emissions (metric tCO <sub>2</sub> e)
Employee business travel	14,684 tCO <sub>2</sub> e
External distribution/logistics	6 tCO <sub>2</sub> e
Use/disposal of company's products and services	not measured at this time
Company supply chain	not measured at this time

State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

## **BMO Financial Group Response**

Process used for calculating emissions:

In 2008, BMO retained the services of an external climate change consultant (ICF International) and is utilizing a customized version of ICF International's GHG:ID tool for the calculation of BMO greenhouse gas emissions. This tool was also used to calculate our CDP6 results inclusive of Scope 1, Scope 2 and Scope 3 emissions.

This database is updated annually to reflect the current greenhouse gas emission factors applicable.

The ICF International GHG:ID tool for BMO is fully compliant with both:

- "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute and the World Business Council for Sustainable Development ("the 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.

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. For emissions factors and sources, refer to question 9.3 GHG:ID References and question 9.5 for the attached file entitled: "Global Gas Emissions Intensities (9.5)".

Process used for collecting activity data:

For transportation data, we utilize the following data collection methodology:

**Commercial Air Travel**

1) Commercial air travel data for business purposes is provided by our preferred travel supplier on an annual basis. The data provided consists of one-way flight segment distances and the number of instances of each segment travelled. This information is used to calculate the relevant emissions within the ICF International GHG:ID tool for short haul, medium haul and long haul flights.

**Ground Travel**

1) Employee travel for business purposes using personal vehicles – all data is captured via our internal expense reimbursement system as claims are submitted. Annually we extract this data and use kilometres travelled and a proxy for vehicle

13.2. External  
distribution/logistics  
Describe the main sources of  
emissions.

type (mid-sized automobile efficiency) within the ICF International GHG:ID tool for calculation of emissions.

2) Rail travel data for business purposes is provided directly by our rail service supplier on a quarterly basis. The data provided consists of one-way rail segment distances and the number of instances of each segment travelled. This information is used to calculate the relevant emissions within the ICF International GHG:ID tool.

3) Rental vehicles – data is provided by our two preferred suppliers on a quarterly basis. The data consists of vehicle type and total distance travelled for input to the ICF International GHG:ID tool to calculate the relevant emissions.

Emissions are reflected in tCO<sub>2</sub>e (calculating CO<sub>2</sub> only) as the source GHG Protocol - Mobile provides for CO<sub>2</sub> only.

### **BMO Financial Group response**

As a financial institution our main sources of emissions in terms of external distribution/logistics relate to the delivery by third parties (Canada/US postal delivery, couriers) of customer account statements and other paper-based materials (e.g. Annual Reports, Corporate Responsibility Reports, etc.).

BMO Financial Group has not undertaken the measurement of emissions relating to the delivery of customer account statements to date. We are however actively pursuing electronic delivery options to mitigate these emissions.

For the past two years (2007 & 2008), the emissions associated with the production and delivery of our Annual Reports and Corporate Responsibility Reports have been completely neutralized via the purchase of carbon offset credits from a third party. See question 22.3 & 22.4 for further details.

The tCO<sub>2</sub>e figure reported in the following box reflects the emissions relating to the delivery of Annual Reports and Corporate Responsibility Reports for the current reporting period (neutralized by the purchase of offsets).

State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

13.3. Use/disposal of company's products and services.

Describe the main sources of emissions.

### **BMO Financial Group response**

Annual Report and Corporate Responsibility Reports only:

BMO Financial Group contracted with a third party to calculate the emissions and associated offsets necessary to neutralize the production and delivery emissions related to these reports. Details of the volumes, materials used, transportation methods and destinations were provided to Zerofootprint Inc. for the purposes of calculating the total emissions and resultant impacts to be neutralized. Zerofootprint reported using the following methods and calculation tools to complete the analysis on behalf of BMO Financial Group:

A total lifecycle approach was followed to calculate the emissions associated with the collection and processing of virgin and recycled paper, residual disposal at the processing plant, transportation of paper to market, printing of the reports and distribution of same.

Calculations of emissions included emissions factors from the GHG Protocol, Mobile Combustion CO2 Emissions Calculation Tool, paper processing from Environmental Defense, Energy, Air Emissions, Solid Waste Outputs, Waterborne Wastes and Water Use Associated With Component Activities of Three Methods for Managing Office Paper, and provincial electricity data from Environment Canada, Environment Canada Greenhouse Gas Inventory, 2006.

### **BMO Financial Group response**

As a financial institution, our most significant physical "product" would be the paper account statements (along with related envelopes and enclosed advertising materials) delivered to customers. Paper documentation relating to any of our financial products or services would also be included in this category.

BMO Financial Group has not undertaken the measurement of emissions relating to the use/disposal of paper-based customer account statements and related materials to date. We have introduced e-statements for a limited number of product types and continue to actively pursue electronic alternatives to mitigate the emissions associated with this use/waste.

State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

#### 13.4. Company supply chain

Describe the main sources of emissions.

Emissions in metric tonnes CO<sub>2</sub>e.

State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

#### **BMO Financial Group response**

Not applicable - emissions related to this element not currently measured.

#### **BMO Financial Group response**

BMO Financial Group's supply chain emissions result from the purchase of goods and services including:

- office supplies (e.g. pens, paper, etc.)
- furniture and fixtures for premises (desks, chairs, lighting, building materials, etc.)
- technology/telecommunications equipment (personal computers, servers, copiers, printers, routers, switches, etc.)
- consulting services as provided by third parties
- marketing and advertising materials

BMO Financial Group has not focused on the specific measurement of emissions related to its supply chain to date.

#### **BMO Financial Group response**

BMO Financial Group has not undertaken the measurement of emissions relating to these emissions to date.

#### **BMO Financial Group response**

Not applicable - emissions related to this element not currently measured.

13.5. Other

If you are reporting emissions that do not fall into the categories above, please categorise them into transferred emissions and non-transferred emissions.

Transfers

Describe the main sources of emissions.

Transfers

Report emissions in metric tonnes of CO<sub>2</sub>e.

Transfers

State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

Non-transfers

Describe the main sources of emissions.

Non-transfers

Report emissions in metric tonnes of CO<sub>2</sub>e.

**BMO Financial Group response**

Not applicable.

**BMO Financial Group response**

Not applicable.

**BMO Financial Group response**

Not applicable.

**BMO Financial Group response**

Based on our reporting scope (Financial Control) and contractual obligations per leased facilities (per GHG Protocol Appendix F), emissions from leased premises have been classified as Scope 3. While captured under "Other" per CDP7 response, the emissions relating to fuel consumed and purchased electricity consumed in our leased facilities are the most significant of our total Scope 3 emissions reported.

**BMO Financial Group response**

108,205

## Non-transfers

State the methodology, assumptions, calculation tools, databases, emission factors (including sources) and global warming potentials (including sources) you have used for calculating emissions.

### **BMO Financial Group response**

Process used for calculating emissions:

As described previously in question 9.1, BMO Financial Group utilizes a customized version of ICF International's GHG:ID tool for the calculation of greenhouse gas emissions. This tool was also used to calculate our CDP6 results inclusive of Scope 1, Scope 2 and Scope 3 emissions.

This database (tool) is updated annually to reflect the current regional and sub-regional energy intensity factors by facility type, as well as greenhouse gas emission factors (global, regional and sub-regional) and source types.

The ICF International GHG:ID tool for BMO is fully compliant with both:

- "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute and the World Business Council for Sustainable Development ("the 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.

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.

Process used for collecting activity data:

Our data collection methodology for leased facilities is as follows:

At our request, consumption data is provided annually by the landlord/facilities managers for the majority of facilities occupied by BMO Financial Group. In those instances where check meters are installed, actual consumption information for fuels and/or electricity is used to reflect our actual consumption. In the absence of this specific level of information, we receive consumption information for the entire facility. Based on the area occupied by BMO Financial Group, we determine our prorated portion for each of the fuels and electricity consumed. We also ask for confirmation from our landlords that the information provided accurately reflects the consumption figures provided.

We retain a detailed calculation worksheet for each of the leased properties where

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information has been gathered in this manner. The consumption data provided is routinely reviewed for intensity (consumption/square foot) to identify any obvious anomalies for further investigation. Finally, the consumption information is then input to the ICF International GHG:ID tool to calculate the relevant emissions.

See Questions 9.3 - 9.5 for GHG:ID tool references used, global warming potentials (including sources) and emissions factors (including sources) used for the calculation of emissions.

Our calculation methodology for leased real estate facilities includes calculations for the following GHGs:

- Carbon dioxide (CO<sub>2</sub>)
- Methane (CH<sub>4</sub>)
- Nitrous oxide (N<sub>2</sub>O)

Our calculation methodology for owned real estate facilities does not include calculations for the following GHGs for the following reasons:

- Hydrofluorocarbons (HFCs) family of gases – as these are leased facilities, we are not privy to any reported instances of HFC leakage, from the HVAC systems operated - these systems are ultimately the responsibility of the landlord as per the contractual arrangements in place
- Perfluorocarbons (PFCs) family of gases – not applicable for the types of facilities occupied by a financial institution
- Sulphur hexafluoride (SF<sub>6</sub>) - not applicable for the types of facilities occupied by a financial institution

In those instances where we are unable to obtain even prorated consumption data, we utilize an estimation methodology, detailed as follows:

Within the GHG:ID tool, after all actual data is loaded we use the functionality provided to estimate consumption based on the following criteria:

- 1) where sample size of actual data is sufficient at the subregional level, for each type of facility (e.g. office, retail, operations centre, etc.) we use this "averaged" facility intensity information to estimate for like facilities in the portfolio across electricity, natural gas, heating oil and diesel as appropriate
- 2) where sample size of available actual data is not sufficient at the subregional level, we default to the subregional intensity reference data (factors updated annually or as available) for each type of facility (e.g. office, retail, operations

centre, etc.) to estimate for like facilities in the portfolio across electricity, natural gas, heating oil and diesel as appropriate

3) for those facilities in areas where subregional data (actual or reference data) is not available, we default to regional actual data (if sufficient sample size exists) or regional reference data as appropriate

We try to be consistent in the application of estimates, when used, and believe that this approach is both conservative and defensible.

For perspective, the total amount of emissions estimated in this year's submission (all Scopes) is just under 23%. We continue to focus on reducing this percentage every year.

13.6. If you have not provided information about one or more of the categories of Scope 3 GHG emissions in response to the questions above, please explain your reasons and describe any plans you have for collecting Scope 3 indirect emissions information in future.

### **BMO Financial Group response**

We appreciate the various elements of Scope 3 emissions noted above and have to date focused primarily on calculations for those related to Employee Business Travel (13.1) and Other - leased premises (13.5). This reflects our view of emissions significance, the availability of information and the establishment of processes to collect and assess data. We recognize that there are gaps with respect to the following elements:

13.2 External distribution/logistics

13.3 Use/disposal of company's products and services

13.4 Company supply chain

We expect to make progress in these areas in the future, focusing initially on 13.3 Use/disposal of company's products and services for 2009. Our decision is based primarily on the availability of data per our existing information systems.

Since early 2008, we have employed a Sustainable Procurement questionnaire as part of competitive bids (supply chain focus) and have used the results to form part of the award process. Information gathered to date indicates that emissions information provided by suppliers is not robust enough in terms of its quality to allow for accurate recording. We will continue to monitor for improvement.

**14. Emissions avoided through use of goods and services (new for CDP 2009)**

14.1. If your goods and/or services enable GHG emissions to be avoided by a third party, please provide details including the estimated avoided emissions, the anticipated timescale over which the emissions are avoided and the methodology, assumptions, emission factors (including sources), and global warming potentials (including sources) used for your estimations.

**BMO Financial Group response**

As a financial institution, BMO Financial Group does not specifically produce goods or services that would enable GHG emissions to be avoided by a third party.

**15. Carbon dioxide emissions from biologically sequestered carbon: (new for CDP 2009)**

15.1. Please provide the total global carbon dioxide emissions in metric tonnes CO<sub>2</sub> from biologically sequestered carbon.

**BMO Financial Group response**

0

Emissions in metric tonnes CO<sub>2</sub>

Further information

**BMO Financial Group response**

BMO Financial Group does not produce emissions from biologically sequestered carbon.

**16. Emissions intensity: (CDP6 Q3(b))**

16.1. Please supply a financial emissions intensity measurement for the reporting year for your combined Scope 1 and 2 emissions.

**BMO Financial Group response**

As a low emitter, BMO Financial Group does not consider this measurement as particularly relevant to the financial services business. As a financial organization our main products are lending, investment and deposit based services, rather than the production and sales of physical goods. Additionally, we lease a significant portion of our overall premises, which based on our reporting scope, fall into Scope 3 emissions and would therefore be excluded from this calculation.

The fact that we have also (for 2008 and previous years) reported our emissions based on the calendar year period whereas our financial results are stated based on an October 31st year-end date would also limit the meaningfulness of such a measure. For 2009, we intend to report emissions based on the same period as our financial year-end and will reassess this measure's significance.

We question how the anticipated fluctuations of this measure, based on the recent economic times and effects on a financial institution's profitability, would be interpreted from an emissions reporting perspective.

16.1.1. Give the units.

**BMO Financial Group response**

Not applicable per response to question 16.1 above.

16.1.2. The resulting figure.

**BMO Financial Group response**

0

16.2. Please supply an activity related intensity measurement for the reporting year for your combined Scope 1 and 2 emissions.

Please describe the measurement.

**BMO Financial Group response**

As a diversified financial institution, activity related intensity measurements for Scope 1 and Scope 2 emissions have limited applicability. We have however calculated intensity measurements based on tCO<sub>2</sub>e per m<sup>2</sup> of premises occupied and are working on a tCO<sub>2</sub>e per employee measure as well. This measurement pertains only to those facilities that are owned/controlled to align with Scope 1 and Scope 2 emissions reported.

16.2.1. Give the units e.g. metric tonnes of CO<sub>2</sub>-e per metric tonne of output or for service sector businesses per unit of service provided.

**BMO Financial Group response**

Intensity measure:

1) Scope 1 and Scope 2 tCO<sub>2</sub>e per m<sup>2</sup> of owned real estate premises occupied

We are also considering the validity of a similar measure for real estate premises area and emissions recorded under Scope 3. This would be identified as:

2) Scope 3 tCO<sub>2</sub>e per m<sup>2</sup> of leased real estate premises occupied

We would review each separately. The resulting figure in 16.2.2 relates only to the first metric.

16.2.2. The resulting figure.

**BMO Financial Group response**

0.103

Further information

**BM0 Financial Group response**

As noted in our response to 16.2 above, we are currently working on a measure related to tCo2e per employee for Scope 1, Scope 2 and Scope 3 emissions for premises and transportation. We intend to report when we are confident in the accuracy of the employee numbers on a per facility basis.

**17. Emissions history: (CDP6 Q2(f))**

17.1. Do emissions for the reporting year vary significantly compared to previous years?

**BM0 Financial Group response**

No - Please go to question 18.

If the answer to 17.1 is Yes:

17.1.1. Estimate the percentage by which emissions vary compared with the previous reporting year.

**BM0 Financial Group response**

Decreased

Have the emissions increased or decreased?

Further information

**BM0 Financial Group response**

In our answer to 17.1 we indicated that emissions do not vary significantly - current reporting year to previous years. We answered "NO" based on the fact that we have restated our emissions for 2007 and submitted the revised data as part of this CDP7 report. The restated numbers for 2007, in aggregate (Scope 1, Scope 2 & Scope 3), are marginally higher than those previously reported per CDP6. We have however adjusted our reporting boundary from Operational Control to Financial Control as part of this restatement to better reflect our contractual obligations for leased premises. This has the effect of recognizing a large proportion of emissions relating to fuel combustion and the use of purchased electricity in these leased premises as Scope 3 (see 13.5 - Other, for 2008 emissions).

In addition to the changes in the segregation of Scope 1, Scope 2 and Scope 3 emissions relating to our reporting boundary change, the restated emissions for the 2007 reporting period are marginally higher due to the following (identified and remedied subsequent to CDP6 submission):

- updated sub-regional gas emissions factors for electricity (not available at time of

CDP6 submission)

- obtained additional raw data (higher "actual" consumption than previously estimated) relative to leased facilities
- restated Scope 2 emissions on a gross basis - excluding the impacts of RECs purchases (in our original CDP6 response, we netted the reduction in Scope 2 emissions for renewable electricity purchased under contractual arrangements)

Based on the restated emissions (2007) and current reported emissions for 2008, our emissions decreased very marginally, year over year. Upward pressures include marginal organic growth in terms of real estate premises occupied and downward pressures reflect the effects of our emissions reduction plan, still in its early stages.

## 18. External verification/assurance: (CDP6 Q2(d))

18.1. Has any of the information reported in response to questions 10 – 15 been externally verified/assured in whole or in part?

### **BMO Financial Group response**

None of the information provided in response to question 10-15 has been externally verified/assured in whole or in part. Please go to question 18.6.

18.2. State the scope/boundary of emissions included within the verification/assurance exercise.

### **BMO Financial Group response**

Not applicable per response to 18.1

18.3. State what level of assurance (eg: reasonable or limited) has been given.

### **BMO Financial Group response**

Not applicable per response to 18.1

18.5. Specify the standard against which the information has been verified/assured.

### **BMO Financial Group response**

Not applicable per response to 18.1

18.6. If none of the information provided in response to questions 10-15 has been verified in whole or

### **BMO Financial Group response**

In 2008, 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

in part, please state whether you have plans for GHG emissions accounting information to be externally verified/assured in future.

customized version of the ICF International GHG:ID tool for BMO which is fully compliant with both:

- "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute and the World Business Council for Sustainable Development ("the 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

The customized database categorizes the data according to the guidelines of the Greenhouse Gas Protocol and identifies the organizational boundary from a reporting scope perspective.

While data for the 2008 emissions reporting year has not been externally verified, we are quite confident in our data collection process, assumptions made, and calculations as produced by the GHG:ID tool.

We plan to have our 2008 emissions verified by an independent third party within the next few months. The goal of the verification will be to provide us with the assurance that our GHG inventory is accurate, complete, consistent, relevant and transparent. The verification will include an assessment of the risks of material discrepancies in reported data.

## 19. Data accuracy: (CDP6 Q2(e) – new wording for CDP 2009)

19.1. What are the main sources of uncertainty in your data gathering, handling and calculations e.g.: data gaps, assumptions, extrapolation, metering/measurement inaccuracies, etc?

### **BMO Financial Group response**

Emission data is gathered.

We consider the main sources of uncertainty in our data gathering, handling and calculations to be as follows:

(Note - we have also outlined the systems and processes in place to prudently mitigate the impacts that may arise from these uncertainties)

Data gathering:

1) Completeness - while the absolute amount of data gathered, particularly for our real estate facilities, has improved significantly for 2008 versus 2007, we still have some gaps with respect to completeness for all of our facilities. Data is gathered internally for owned office and special purpose properties and from external sources (landlords/facilities managers) for leased properties. For 2008, the

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percentage of facilities requiring estimates, from a consumption perspective, was approximately 23%. This is a significant improvement versus 2007 and we expect the need to estimate will continue to drop in 2009 as our process for obtaining actual data continues to improve (see our explanation on estimation methodology per question 9.2).

We also have some remaining gaps in terms of data collection for those Scope 3 emissions identified in questions 13.2, 13.3 & 13.4, as we have previously noted.

2) Accuracy - for premises consumption information provided by external sources (facilities managers, landlords), while we request their assurance of a reasonable standard of due care regarding the accuracy of the information, there is a degree of risk that it is not completely accurate. A significant portion of our real estate facilities occupied are leased, with the utility consumption costs forming part of the monthly operating costs and not specifically metered for BMO Financial Group occupancy in many cases. In these instances there is room for error in terms of our approach to prorate consumption for occupancy based on the total facilities consumption provided. Finally, agreements with landlords provide BMO with the right to audit both the costs and consumption information and we do exercise this right on a periodic/sample basis.

For transportation information provided by suppliers (commercial air, rail, rental automobiles) the same risks for reporting inaccurate data exist. Once again we act prudently by requesting that suppliers attest to the accuracy of the data provided (see our explanation on estimation methodology per question 13.1).

Data handling:

1) For real estate facilities that are owned, we derive the data directly from utility invoices paid. Information is gathered and recorded by one individual with verification checks performed by separate individuals on a spot check basis. We focus the spot checks on those facilities with the largest consumption in order to mitigate any significant misstatements.

2) For real estate facilities that are leased, where information is received from third parties, we ensure that any subsequent calculations to determine prorated share are completed by one individual and verified independently by another.

3) For transportation-related data received from third parties, the risks relating to data handling involve transposition or upload to the GHG:ID tool for

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subsequent processing. We attempt to mitigate these risks by using automated methods to perform the data loading activities and use hash total checks (comparing before and after).

Data collected from across the enterprise and from suppliers (details per answers to questions 9.1, 13.1, 13.5) is populated in a data collection template. Any gaps requiring estimation are identified during this process. The populated data collection template is then loaded into the GHG:ID tool 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, we undertake the data estimation exercise to apply proxy data to those facilities or sources for which no data is available (refer to our response to questions 9.2 & 13.5).

**Data calculations:**

For all types of data calculations, the potential risk of inaccuracy exists. The risk of over/understatement of fuel and electricity consumption for real estate premises (and resultant emissions) when actual data is not available is perhaps our most significant area of risk (see our explanation on estimation methodology per question 9.2).

For internally developed spreadsheet driven calculations, we mitigate these risks by segregating the responsibilities for creation and verification between separate individuals.

**General comments regarding mitigating factors:**

The GHG:ID tool also contains analytical functions that allow us to run reports highlighting variations in consumption/emissions by facility type and by region. Using these reports, BMO can identify those facilities whose consumption profiles fall well outside averages and norms, and address those variations with more in-depth investigation to ascertain the nature of the variance (e.g. potential data collection, handling, and calculations issues).

As we now have two years worth of data, we are in a position to compare facilities and transportation data year over year from both a consumption and emissions perspective. This has proved very useful as well in terms of our ability to perform reasonability checks.

19.2. How do these uncertainties affect the accuracy of the reported data in percentage terms or an estimated standard deviation?

**BMO Financial Group response**

Given the sources and types of potential data inaccuracies and the processes in place to mitigate as outlined in question 19.1 above, we estimate the incidence of errors and their potential impact on our total stated emissions to be less than 5%.

Refer to our response to question 19.1 above for the specifics on controls to mitigate the impacts of any data inaccuracies.

19.3. Does your company report GHG emissions under any mandatory or voluntary scheme (other than CDP) that requires an accuracy assessment?

**BMO Financial Group response**

No (Please go to question 20.)

19.3.2. Please provide the accuracy assessment for GHG emissions reported under that scheme for the last report delivered.

**BMO Financial Group response**

BMO Financial Group is not required to report GHG emissions under any mandatory or voluntary scheme that requires an accuracy assessment.

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**20. Energy and fuel requirements and costs: (new for CDP 2009)**

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Please provide the following information for the reporting year:

**BMO Financial Group response**

\$40,227,034

Cost of purchased energy

20.1. The total cost of electricity, heat, steam and cooling purchased by your company.

Select currency

**BMO Financial Group response**

Canadian dollar

20.1.1. Please break down the costs by individual energy type.

**BMO Financial Group response**

Table 8

Energy type	Cost	Currency
Electricity	40,227,034	Canadian dollar
Heat	0	Canadian dollar
Steam	0	Canadian dollar
Cooling	0	Canadian dollar

Cost of purchased fuel

**BMO Financial Group response**

\$9,986,571

20.2. The total cost of fuel purchased by your company for mobile and stationary combustion.

Select currency

**BMO Financial Group response**

Canadian dollar

Energy and fuel inputs

**BMO Financial Group response**

373,016 MWh

Purchased energy input

20.3. Your company's total consumption of purchased energy in MWh.

Purchased and self produced fuel input

**BMO Financial Group response**

206,407 MWh

20.4. Your company's total consumption in MWh of fuels for stationary combustion only. This includes purchased fuels, as well as biomass and self-produced fuels where relevant.

In answering this question and the one below, you will have used either Higher Heating Values (also known as Gross Calorific Values) or Lower Heating Values (also known as Net Calorific Values).

Please state which you have used in calculating your answers.

Energy output

In this question we ask for information about the energy in MWh generated by your company from the fuel that it uses. Comparing the energy contained in the fuel before combustion (question 20.4) with the energy available for use after combustion will give an indication of the efficiency of your combustion processes, taking your industry sector into account.

20.6. What is the total amount in MWh of renewable energy, excluding biomass, that is self-generated by your company?

### **BMO Financial Group response**

Calculations are based on Higher Heating Values also known as Gross Calorific Values.

### **BMO Financial Group response**

0 MWh

## Energy exports

This question is for companies that export energy that is surplus to their requirements. For example, a company may use electricity from a combined heat and power plant but export the heat to another organisation.

20.7. What percentage of the energy reported in response to question 20.5 is exported/sold by your company to the grid or to third parties?

20.8. What percentage of the renewable energy reported in response to question 20.6 is exported/sold by your company to the grid or to third parties?

## Further information

### **BMO Financial Group response**

0%

### **BMO Financial Group response**

0%

### **BMO Financial Group Response**

20.1 - information provided relates to owned facilities (Scope 2 purchased electricity) and an estimate for leased facilities (Scope 3 purchased electricity). Estimates are required as costs of purchased electricity form part of monthly operating costs in many cases for leased facilities.

20.1.1 - currently we are unable to break out the costs for "Heating" and "Cooling" from the costs quoted for "Electricity".

20.2 - information provided relates to owned facilities (Scope 1 fuel combustion), owned transportation equipment (Scope 1 fuel combustion) and an estimate for leased facilities (Scope 3 fuel combustion). Estimates are required as costs of fuel combustion form part of monthly operating costs in many cases for leased facilities.

20.3 - information provided relates to owned facilities (Scope 2 purchased electricity) and

leased facilities (Scope 3 purchased electricity).

20.4 - information provided relates to owned facilities (Scope 1 fuel combustion), and leased facilities (Scope 3 fuel combustion).

As a financial institution, our total energy costs are not significant as a percentage of total operating costs (less than 0.75% of total operating costs).

## 21. EU emissions trading scheme: (CDP6 Q2(g)(i) – new wording for CDP 2009)

21.1. Does your company operate or have ownership of facilities covered by the EU Emissions Trading Scheme (EU ETS)?

### **BMO Financial Group Response**

No (Please go to question 22.)

## 22. Emissions trading: (CDP6 Q2(g)(ii) - new wording for CDP 2009)

22.1. Please provide details of any emissions trading schemes, other than the EU ETS, in which your company already participates or is likely to participate within the next two years.

### **BMO Financial Group response**

We do not participate or anticipate participating in any trading schemes within the next two years. (Please go to question 22.3)

22.2. What is your overall strategy for complying with any schemes in which you are required or have elected to participate, including the EU ETS?

### **BMO Financial Group response**

Not applicable per answer to 22.1 above.

## 22. Carbon credits

22.3. Have you purchased any project-based carbon credits?

### **BMO Financial Group Response**

Yes.

Please indicate whether the credits are to meet one or more of the following commitments:

Please also:

22.4. Provide details including the type of unit, volume and vintage purchased and the standard/scheme against which the credits have been verified, issued and retired (where applicable).

22.5. Have you been involved in the origination of project-based carbon credits?

22.6. Please provide details including:

- Your role in the project(s),
- The locations and technologies involved,
- The standard/scheme under which the projects are being/have been developed,
- Whether emissions reductions have been validated or verified,
- The annual volumes of generated/projected carbon credits,
- Retirement method if used for own compliance or offsetting.

### **BMO Financial Group response**

Primarily for voluntary offsetting of our own emissions.

### **BMO Financial Group response**

For the two recent reporting periods (2008 & 2007), BMO Financial Group has purchased reforestation project-based carbon credits in the voluntary market. The project is located in Vancouver, Canada and is based on the planting of tree species consistent with the temperate rainforest of the area. This project is certified to ISO 14064 Part 2: Greenhouse gases - Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements, and is independently audited.

For the 2008 reporting period, BMO Financial Group purchased project-based carbon credits to offset 580 tonnes and neutralize the impact of the production and delivery of the 2008 Annual Report and Corporate Responsibility Report.

### **BMO Financial Group response**

No. (Please go to question 22.7)

### **BMO Financial Group response**

Not applicable per answer to 22.5 above.

22.7. Are you involved in the trading of allowances under the EU ETS and/or project-based carbon credits as a separate business activity, or in direct support of a business activity such as investment fund management or the provision of offsetting services?

**BMO Financial Group response**

No. (Please go to question 23)

22.8. Please provide details of the role performed.

**BMO Financial Group response**

Not applicable per answer to 22.6 above.

## Section 3 – Performance

### 23. Reduction plans and goals: (CDP6 Q3(a))

23.1. Does your company have a GHG emissions and/or energy reduction plan in place?

**BMO Financial Group response**

Yes. (Please go to question 23.3)

Goal setting

**BMO Financial Group response**

Yes.

23.3. Do you have an emissions and/or energy reduction target(s)?

23.4. What is the baseline year for the target(s)?

**BMO Financial Group response**

Calendar 2007

23.5. What is the emissions and/or energy reduction target(s)?

**BMO Financial Group response**

Target of 5% absolute reduction in total GHG emissions over 2007 baseline levels by 2010.

23.6. What are the sources or activities to which the target(s) applies?

In addition, BMO Financial Group has publicly declared its intent to achieve Carbon Neutrality with respect to enterprise emissions resulting from purchased electricity and stationary fuel combustion across all real estate premises (inclusive of Scope 3), and transportation for business purposes (Scope 1 and Scope 3). The target date to achieve this goal is 2010. In addition to the stated emissions reduction activities and purchases of renewable electricity, we anticipate the future purchase of project-based carbon credits.

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

Our target includes:

- Scope 1 emissions (owned facilities) from fuel combustion (natural gas, diesel, heating oil, etc.)
- Scope 1 emissions related to owned transportation equipment
- Scope 2 emissions (owned facilities) from purchased electricity
- Scope 3 emissions from stationary fuel combustion and purchased electricity for leased facilities
- Scope 3 emissions related to transportation for business purposes

23.7. Over what period/timescale does the target(s) extend?

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

The target was publicly declared in September, 2008, with a reduction target of 5% (absolute emissions) by 2010.

### **23. GHG emissions and energy reduction activities**

23.8. What activities are you undertaking or planning to undertake to reduce your emissions/energy use?

#### **BMO Financial Group response**

Beginning in 2007, BMO documented its strategic plan to target environmental sustainability for its enterprise operations. The BMO ECO<sup>5</sup> Strategy focuses on five significant operational areas in which BMO impacts the environment including: energy, transport, material consumption, waste and procurement. Thus far we have focused strategically on the areas of energy and transportation and have detailed some of the contributing initiatives following. While we have completed some tactical initiatives in the three remaining areas, in 2009 we'll begin to heighten our focus in the areas of 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 from an emissions perspective:

Energy – emission-free electricity purchased from Bullfrog Power

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To date, BMO has committed to the purchase of in excess of 8,300 megawatt hours of emission-free electricity annually from Bullfrog Power Inc., a green electricity retailer in Canada that markets energy from clean, renewable sources like wind power and low-impact water power. By the end of 2009, approximately 100 branches in Ontario, Alberta and British Columbia will be "bullfrogpowered", which will reduce our overall carbon emissions by almost 3,500 tCO<sub>2</sub>e per year. BMO is a leading financial institution on the bullfrogpowered Green Index.

#### Energy - LEED Buildings

In 2008, BMO built four additional retail branches (Canada – 2 / USA – 2) which are registered for certification under the Leadership in Energy and Environment (LEED) standard. This now brings the total units constructed to this standard to six since the fall of 2007. 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. In one of the new branches (Chicago - USA) we installed a geothermal system to heat and cool the facility. We expect to achieve energy savings, on average, of between 40% - 55% as a result of these building efficiency measures.

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

In April 2008, BMO received the Uptime Institute's Green Enterprise IT Award for IT Hardware Asset Utilization. The Uptime Institute is an industry provider of vendor-neutral, research-based information on high-density enterprise computing. This initiative was completed in late 2007 and involved the elimination of a total of 409 servers, 40 peripheral devices and two storage subsystems from one of our data centre facilities. The net impact of these reductions was 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. BMO is currently engaged in similar efficiencies opportunities in the remaining raised floor environments across the enterprise to achieve additional savings.

#### Energy – Ongoing Building Retrofits

Throughout 2008, our critical facilities group (Corporate Real Estate) continued their review of our major facilities and commenced and/or completed a number

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of infrastructure related initiatives. Examples include base building chiller replacements, insulation upgrades during roof replacements, upgraded temperature control systems and additions of heat exchanger units – all of which contribute not only to operating cost savings, but also energy and emissions reductions.

#### Transport - Hybrid Vehicles

For our service vehicles, we have committed to using increasingly more energy efficient alternatives (e.g. hybrids). In late 2007, we converted all 20 motor pool vehicles used by employees in our Chicago office to hybrids. In Canada, we currently have 12 hybrid vehicles in service and are targeting the transition of all remaining sedans within the service fleet to hybrids over the next three years, as leases are renewed. We continue to see a positive trend in emissions from our vehicle fleets with year over year reductions of 34% in the USA and 4% in Canada versus 2007. We expect this trend to continue.

#### Transport – Public Transit Programs

BMO participates in transit programs in various cities across Canada. These offerings promote the use of public transit by BMO Financial Group employees to reduce vehicle emissions, using discounted monthly transit passes. As an example, in Toronto we have approximately 4,000 employees enrolled (approximately 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

We continue to focus on opportunities to reduce travel with our “travel directives” in effect, requiring employees to consider alternatives such as teleconferencing and videoconferencing before booking air travel. State of the art videoconferencing facilities are being rolled out to additional facilities in Toronto and New York to supplement those already in place. Good progress is evident in this area with emissions from commercial air travel down 13% versus our 2007 reporting period.

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## Other Initiatives

In addition to the specific focus on energy and transportation, BMO has undertaken some tactical initiatives to reduce our environmental impact in the areas of material consumption, waste and procurement.

In 2008, BMO continued the rollout of new output devices across office locations to support duplex printing targeting reductions in paper consumption. In the latter part of 2008, we began to collect waste metrics across our major facilities in order to better understand our impacts and potential reduction opportunities in this area. Finally, we continue to deploy our Sustainable Procurement questionnaire, introduced in late 2007, as part of our competitive bid process to assess proponents' offerings with respect to specific environmental and social elements.

### ISO 14001 – Environmental Management System

In early 2008, BMO commenced the formal implementation of our Environmental Management System, for registration under ISO 14001, at a selected office building in Toronto. ISO 14001 requires an organization to identify all activities that have the potential to impact the environment and put programs in place to reduce or eliminate these impacts. In December 2008, BMO successfully became the first Canadian Financial Institution to achieve ISO 14001 certification for an office building and we are currently in the continued rollout to additional locations.

In 2009, we expect the focus on energy and transportation-related initiatives to continue. With two years of robust consumption data for a good portion of our facilities, we will embark on a program of energy audits within our retail branch environment, focusing on those units with higher consumption intensities. Building retrofits across the portfolio will continue and the organization will take advantage of the current economic climate to further leverage alternate technologies to reduce both travel emissions and costs.

## 23. Goal evaluation

23.9. What benchmarks or key performance indicators do you use to assess progress against the emissions/energy reduction goals you have set?

### **BMO Financial Group response**

Given our target to reduce absolute emissions by 5% over the calendar 2007 baseline levels, the most telling indicator is our progress on restatement of emissions annually. Monitoring progress on an annual basis, however, is clearly not timely enough to be able to identify areas requiring increased focus. As a result, we have begun to implement the following to provide more periodic and meaningful information relative to our progress against emissions reduction goals:

#### Energy emissions (real estate premises)

The effort required to gather data and calculate emissions on even an annual basis is significant in our current environment. As a result, we have established an internal scorecard within the Corporate Real Estate group to track initiatives that contribute to both cost and emissions reductions in an attempt to better quantify the downward pressures on emissions numbers. Each of the major areas within the real estate group has taken on a piece of the challenge and is being monitored according to reported progress.

With the availability of two years of actual data for a significant portion of our facilities and the ability to perform comparative analysis, establish trends, and complete intensity analyses, we should be better positioned to track our ongoing progress against targets. The intensity information is currently being used to prioritize our efforts, given that capital dollars will be required to address and that the funding is finite. We have also established a tCO<sub>2</sub>e/m<sup>2</sup> intensity measure that we will utilize to track progress, albeit on an annual basis.

Our renewable energy deployment to the Canadian retail branches in Ontario, Alberta and British Columbia is also tracked (e.g. # of branches) on a monthly basis and forms part of the Operations Group reporting package.

#### Transportation emissions (travel by employees for business purposes)

With commercial air travel being the most significant element of our Scope 3 transportation emissions, and in concert with the enterprise' focus on cost reduction, we have implemented more aggressive targets to reduce in this area. The absolute cost information is tracked by major business group on a monthly basis with reports shared at the most senior levels of the Bank, and year-end incentives

will be dependent (one factor) on meeting targets. With the increased focus thus far in 2009, we expect to not only reduce costs significantly but by default, more than exceed our Scope 3 emissions reductions targets for commercial air travel.

We also track our ongoing progress with respect to the number of hybrid vehicles in our Canadian service vehicle fleet. This information is reported on a monthly basis as part of the regular Operations Group reporting package. Our analysis indicates that the hybrids are a more fuel efficient option and increasing their percentage of our fleet will no doubt contribute to our emissions reductions goal.

## 23. Goal achievement

23.10. What emissions reductions, energy savings and associated cost savings have been achieved to date as a result of the plan and/or the activities described above? Please state the methodology and data sources you have used for calculating these reductions and savings.

### **BMO Financial Group response**

Given that our baseline (calendar 2007) was established in May, 2008 and the emissions reduction targets were defined in September, 2008 we still have some gaps in terms of all of the relevant information available to completely answer this question. The following initiatives have been documented to provide information that is currently available for the 2008 reporting period:

Renewable energy purchases (Canada/USA):

Emissions reductions - 3,627 tCO<sub>2</sub>e

Energy savings - nil

Cost savings - nil (premium paid for RECs)

Methodology/data sources - refer to our answers to questions 12.1 & 12.2

LEED Buildings:

Emissions avoidance (new buildings/improved standard) - 20 tCO<sub>2</sub>e per site (6 sites)

Energy savings - 40% to 55% versus reference building, estimated to be 370 GJ per site (6 sites)

Cost avoidance - monthly operating cost avoidance vis-a-vis reduced electricity and natural gas consumption, estimated to be \$6,000 per site (6 sites)

Methodology/data sources - emissions factors as detailed per answer to question 9.5, emissions calculated using the "summary of energy performance simulation" data (LEED building vs. Reference building) provided by project consultants engaged by BMO in the LEED facilities builds.

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Data Centre Server Rationalization/Virtualization:

Emissions reductions - 1,010 tCO<sub>2</sub>e

Energy savings - 4,590 mwh per annum

Cost savings - \$400K per annum

Methodology/data sources - calculations using the annual kwh reductions and the sub-regional electricity emissions factors as described in answer to question 9.5. Electricity savings were provided based on internal documentation for the project itself.

Fleet vehicles (including hybrids):

Emissions reductions - 95 tCO<sub>2</sub>e

Energy savings - unknown

Cost savings - unknown

Methodology/data sources - total consumption for fleet vehicles and application of emissions factors per answer to question 9.5 (2008 versus 2007).

Transport - Travel Directives (Commercial Air):

Emissions reductions - 1,401 tCO<sub>2</sub>e

Energy savings - 12,445,000 fewer kms flown

Cost savings - not specifically tracked

Methodology/data sources - total consumption for commercial air travel and application of emissions factors per answer to question 9.5 (2008 versus 2007).

23.11. What investment has been required to achieve the emissions reductions and energy savings targets or to carry out the activities listed in response to question 23.8 and over what period was that investment made?

### BMO Financial Group response

Table 13

Emission reduction target/ energy saving target or activity	Investment number	Investment currency	Timescale
Renewable energy (RECs) purchase	200,000	Canadian dollar	Annually for 3 years
LEED buildings	100,000	Canadian dollar	During construction (2007 - 2008) and amortized over 40 years
Data centre server rationalization/virtualization	8,200,000	Canadian dollar	Multi year (3) expenditure with capital depreciated over 5 years
Ongoing building retrofits	1,779,000	Canadian dollar	Expenditures throughout 2008 period and amortized over 15 years

Further information

### BMO Financial Group Response

We are also in the process of establishing our capital budget requirements for the proposed energy audits within our retail branch network, for those facilities identified with high consumption intensities. While the capital dollars have yet to be finalized, the expectation is that this will be a multi-year investment aimed at reducing emissions and annual operating costs.

**23. Goal planning and investment**

23.12. What investment will be required to achieve the future targets set out in your reduction plan or to carry out the activities listed in response to question 23.8 above and over what period do you expect payback of that investment?

23.13. Please estimate your company’s future Scope 1 and Scope 2 emissions for the next five years for each of the main territories or regions in which you operate or provide a qualitative explanation for expected changes that could impact future GHG emissions.

**BMO Financial Group response**

Table 14

Plan or action	Investment number	Investment currency	Payback
Ongoing building retrofits	5,000,000	Canadian dollar	Ranges from 3 years to 7 years depending on the specifics of the initiative
Energy retrofits - retail branch network	2,500,000	Canadian dollar	Ranges from 2 years to 7 years depending on the specifics of the initiative

**BMO Financial Group response**

While BMO Financial Group is a low emitter, we recognize that there are many factors that may impact future Scope 1 and Scope 2 emissions. As part of the annual planning exercise, BMO forecasts future energy use/costs based on historical trends (business group level), with due consideration for future initiatives planned. Examples of potential changes including both upward and downward pressures are detailed as follows:

Upward pressures:

- organic growth across the organization specific to additional real estate premises
- growth by acquisition specific to additional real estate premises
- extreme fluctuations in seasonal temperatures (e.g. hotter in summer, colder in winter)

Downward pressures:

- downsizing of real estate premises occupied through the introduction of alternate workplace strategies
- emissions reduction activities as described in our answers to questions 23.8, 23.10 & 23.11
- extreme fluctuations in seasonal temperatures (e.g. cooler in summer, warmer in winter)

23.14. Please estimate your company's future energy use for the next five years for each of the main territories or regions in which you operate or provide a qualitative explanation for expected changes that could impact future GHG emissions.

23.15. Please explain the methodology used for your estimations and any assumptions made.

Further information

In the absence of significant growth and with seasonal temperatures remaining at the norm, we would expect our Scope 1 & Scope 2 emissions to decrease over time as a result of our focus on environmental sustainability initiatives.

### **BMO Financial Group response**

While BMO Financial Group is a relatively low user of energy, we recognize that there are many factors that may impact future energy use. As part of the annual planning exercise, BMO forecasts future utilities use/costs for the coming year, based on historical trends (business group level) with due consideration for future initiatives planned. Examples of potential changes including both upward and downward pressures are detailed as follows:

Upward pressures:

- organic growth across the organization specific to additional real estate premises
- growth by acquisition specific to additional real estate premises
- extreme fluctuations in seasonal temperatures (e.g. hotter in summer, colder in winter)

Downward pressures:

- downsizing of real estate premises occupied through the introduction of alternate workplace strategies
- energy reduction activities as described in our answers to questions 23.8, 23.10 & 23.11
- extreme fluctuations in seasonal temperatures (e.g. cooler in summer, warmer in winter)

In the absence of significant growth and with seasonal temperatures remaining at the norm, we would expect our consumption of energy to decrease over time as a result of our focus on environmental sustainability initiatives.

### **BMO Financial Group response**

Not applicable - qualitative answer provided for questions 23.13 & 23.14

### **BMO Financial Group response**

23.12. Table 14 - The numbers provided are estimates, based on current information available, and represent investments required for future initiatives.

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## 24. Planning: (CDP6 Q3(c))

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24.1. How do you factor the cost of future emissions into capital expenditures and what impact have those estimated costs had on your investment decisions?

### **BMO Financial Group response**

As a financial institution, BMO Financial Group is not currently subject to regulation with respect to emissions caps or costs. That said, in September 2008, BMO publicly declared its intent to neutralize carbon emissions resulting from energy consumption and transportation for business purposes, by 2010. This is in effect a form of selfregulation and will ultimately require the purchase of project-based carbon credits by BMO to achieve this goal. It is in our interests to minimize emissions on an ongoing basis, not only to reduce our environmental footprint and ongoing operating costs, but also to minimize the annual cost of carbon credits required to achieve our stated neutrality goal.

Within our Corporate Real Estate area, we have begun to capture information relating to carbon emissions (reduced or avoided) as part of the detailed business case for each new investment initiative relating to energy use reduction. We are also in the early stages of "pricing in" the opportunity avoidance costs of carbon emissions as a way of reducing our project-based carbon credit funding requirements. Specifically, we are targeting to drive ongoing energy use reductions, and hence emissions reductions, as part of the business case decisioning process.

A simple example to illustrate the opportunity avoidance costs (pricing in the cost of carbon emissions) is as follows:

During a building retrofit activity there are always tradeoffs with respect to higher upfront capital costs versus longer term operational savings. To illustrate: there is a premium to be paid for dimmable ballast T8 light fixtures versus the conventional T8 fixtures. Taking the position of limiting initial cost outlays would likely result in the purchase of conventional (non-dimmable) fixtures at a reduced cost, as compared to the dimmable fixtures. Looking at the "total cost of ownership", meaning the upfront capital cost net of the operational savings over the life of the fixtures (including energy savings, potential maintenance savings, and importantly emissions savings), for each option might result in a different investment decision. If we "price in" the avoidance costs of carbon emissions (e.g. the lifetime savings of kwh x appropriate emissions factor) we can quantify the cost of carbon, both as a discrete item and as part of the overall business case to provide for a better decision process.

Numeric example per above (illustrative only):

- 1) Capital cost of T8 dimmable ballast fixture \$80.00 (useful life - 10 years)
  - 2) Capital cost of conventional T8 fixture \$20.00 (useful life - 10 years)
- Cost premium in percentage terms (1) versus (2) 400%

If the operating efficiency improvements relating to the installation of a T8 dimmable fixture versus a T8 conventional fixture over its useful life were 50% per annum, there would be an overall reduction in total life cycle costs as well as a reduction in emissions. If we assume that the emissions savings were, for example, 10 tCO<sub>2</sub>e, then we could monetize the carbon credit savings at the current rate per tonne.

Quantifying the opportunity avoidance costs of carbon emissions, as part of each business case, is one of the ways we are dealing with the cost of future emissions.

## Section 4 – Governance

### 25. Responsibility: (CDP6 Q4(a))

25.1. Does a Board Committee or other executive body have overall responsibility for climate change?

#### **BMO Financial Group response**

Yes. (Please answer question 25.3 and 25.4)

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

#### **BMO Financial Group response**

The Sustainability Committee comprised of executives from across the organization (representing both lines of business and corporate areas).

25.4. 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**

Climate change is the key driver in our 2008 environmental strategy. We named the strategy Clear Blue Skies™ to signify our commitment to air quality. The strategy was approved by the CEO and the bank's Management Committee (MC). The Sustainability Committee (SC), comprised of executives representing each of the business areas (i.e. Retail, Wealth, and Capital Markets) and Corporate areas

(e.g. Strategic Management, Legal, Communications, Marketing/Brand), is mandated with providing oversight and guidance in the execution our Clear Blue Skies strategy. The Chair of the SC is a member of the MC and provides linkage to senior leadership on the progress and direction of the work.

The SC meets quarterly, but on a day to day basis, the direct impacts of climate change (i.e. our own operations) are managed within the Environmental Sustainability group, while the indirect impacts (impact our business activities may have) are managed within the Corporate Responsibility & Sustainability group. Both groups are represented as members of the SC (2 executives, 2 directors). Any issues requiring escalation are brought to MC. Further escalation to the Board is at the discretion of the CEO and depends on materiality.

## 26. Individual performance: (CDP6 Q4(b))

26.1. Do you provide incentives for individual management of climate change issues including attainment of GHG targets?

### **BMO Financial Group response**

Yes. (Please go to question 26.2)

26.2. Are those incentives linked to monetary rewards?

### **BMO Financial Group response**

Yes.

26.3. Who is entitled to benefit from those incentives?

### **BMO Financial Group response**

Monetary incentives are linked to performance. The two key groups responsible (Environmental Sustainability & Corporate Responsibility & Sustainability) for execution of our overall strategy are evaluated on their performance on a regular basis. In terms of tangible attainment of GHG targets, our carbon neutrality goal includes a 5% reduction in our overall emissions. The Environmental Sustainability group is responsible for identifying and working with various areas, the most significant one being Corporate Real Estate, to implement the programs to achieve this target. Additionally, both the Corporate Real Estate and Environmental Sustainability groups report to the same line executive who is also evaluated and incented based on the achievement of these environmental sustainability objectives. Performance is formally measured and is linked directly to incentive payouts at the end of the year.

Our real estate portfolio represents the most significant area of opportunity to

reduce GHG emissions. Senior leadership personnel within our Corporate Real Estate group have internalized the reduction challenges and are also being measured from a performance and incentive payout perspective partially on the achievement of this target. In addition, the contractual arrangements with our third party facilities providers in Canada/US include incentives relating to energy efficiencies and the resultant GHG reductions annually.

Business group executives within BMO are also measured and incented on their success in reducing expenses related to things like employee travel (e.g. commercial air). While the driver in this case is cost reduction, the collateral benefits serve to contribute to our GHG reduction targets.

## 27. Communications: (CDP6 Q4(c))

27.1. Do you publish information about the risks and opportunities presented to your company by climate change, details of your emissions and plans to reduce emissions?

If so, please indicate which of the following apply and provide details and/or a link to the documents or a copy of the relevant excerpt:

27.2. The company's Annual Report or other mainstream filings.

### **BMO Financial Group response**

Yes

### **BMO Financial Group response**

Yes

2008 Annual Report: Risk Management MD&A – Environmental Risk pg 84  
[www2.bmo.com/ar2008/downloads/bmo\\_ar2008.pdf](http://www2.bmo.com/ar2008/downloads/bmo_ar2008.pdf)

Excerpt from Management's Discussion and Analysis:

Environmental risk is the risk of loss or damage to BMO's reputation resulting from environmental concerns related to BMO or its customers. Environmental risk is often associated with credit and operational risk.

We are committed to minimizing the impact of our operations on the environment and to demonstrating leadership by integrating environmental considerations into our business practices.

Environmental risk covers a wide range of concerns, such as climate change,

biodiversity and ecosystem health, unsustainable resource use, pollution, waste and water.

As a North American financial services company, we acknowledge that our actions affect the environment directly in terms of our own operations and indirectly through our procurement practices and the products and services we provide to our customers.

We are addressing climate change through a series of internal operating initiatives designed to reduce our impact on the environment. As part of our environmental action plan, we have developed a strategy to help focus employee efforts on managing the environmental impacts of our operations in five key areas: energy consumption, transportation (employee business travel), material consumption, waste and procurement. Some of our environmental initiatives fall outside the five key areas but will continue to be addressed within the BMO Environmental Management System.

To establish a baseline from which we can track our progress, we retained the services of an independent climate change consulting firm with extensive experience in developing and verifying corporate greenhouse gas (GHG) emissions inventories. We now have a comprehensive GHG inventory database tool which is fully compliant with both the World Resource Institute/World Business Council for Sustainable Development GHG Protocol Initiative and the International Organization for Standardization (ISO) 14064 Part 1: Greenhouse gases – specification, with guidance at the organization level, for quantification and reporting of GHG emissions and removals.

In 2008, we updated our lending guidelines to provide more specificity in the inputs for identifying and evaluating environmental risks relating to climate change and forest biodiversity.

[www2.bmo.com/ar2008/downloads/bmo\\_ar2008.pdf](http://www2.bmo.com/ar2008/downloads/bmo_ar2008.pdf)

### **BMO Financial Group response**

Yes

2008 Corporate Responsibility Report

[www2.bmo.com/bmo/files/images/7/1/BMO\\_CRPAS2008en.pdf](http://www2.bmo.com/bmo/files/images/7/1/BMO_CRPAS2008en.pdf) pgs 32-36

27.3. Voluntary communications (other than to CDP) such as Corporate Social Responsibility reporting.

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BMO's Corporate Responsibility Website – Addressing Climate Change:  
[www.bmo.com/environment](http://www.bmo.com/environment)

[www2.bmo.com/bmo/files/images/7/1/BMO\\_CRPAS2008en.pdf](http://www2.bmo.com/bmo/files/images/7/1/BMO_CRPAS2008en.pdf)

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## 28. Public policy: (CDP6 Q4(d))

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

### **BMO Financial Group response**

No

Further information

### **BMO Financial Group response**

Our CEO is a member of the Canadian Council of Chief Executives, a not-for-profit, non-partisan organization comprised 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.

[www.ceocouncil.ca/publications/pdf/test\\_14a7f87d43da18e574aa830d322a9cbe/Clean\\_Growth\\_ELI\\_Policy\\_Declaration\\_October\\_1\\_2007.pdf](http://www.ceocouncil.ca/publications/pdf/test_14a7f87d43da18e574aa830d322a9cbe/Clean_Growth_ELI_Policy_Declaration_October_1_2007.pdf)