



BMO Financial Group
2017 Environmental, Social and Governance Report
and Public Accountability Statement

MAKING
TOMORROW
BETTER.



Index

- 1 Our Strategic Framework
- 2 A Message from the CEO
- 3 A Message from the Chair, Sustainability Council
- 4 BMO Economic Contribution
- 5 Awards and Recognition
- 6 About This Report
- 7 Sustainable Development Goals
- 8 ESG Scorecard
- 9 Engaging Our Stakeholders
- 10 Materiality

14 Managing Our Business

24 Advancing Responsible Banking

33 Inspiring Our People

42 Building Sustainable Communities

- 51 GRI Index
- 65 Glossary of Terms
- 69 Independent Limited Assurance Report to BMO Financial Group
- 71 Bank of Montreal Public Accountability Statement
- 78 Bank of Montreal Mortgage Corporation Public Accountability Statement
- 79 BMO Life Assurance Company Public Accountability Statement
- 80 BMO Life Insurance Company Public Accountability Statement

Who We Are

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America. We are the eighth largest bank in North America by assets, with total assets of \$710 billion and more than 45,000 employees. BMO provides a broad range of personal and commercial banking, wealth management and investment banking products and services to more than 12 million customers. We serve eight million customers across Canada through our Canadian personal and commercial arm, BMO Bank of Montreal. We also serve customers through our wealth management businesses: BMO Global Asset

Management, BMO Nesbitt Burns, BMO Private Banking, BMO Insurance and BMO InvestorLine. BMO Capital Markets, our investment and corporate banking and trading products division, provides a full suite of financial products and services to North American and international clients. In the United States, BMO serves customers through BMO Harris Bank, based in the U.S. Midwest with more than two million retail, small business and commercial customers. BMO Financial Group conducts business through three operating groups: Personal and Commercial Banking, Wealth Management and BMO Capital Markets.

Our Strategic Framework

Vision – to be the bank that defines great customer experience.

Strategic Priorities

The clearly defined statements of purpose that guide the bank’s long-term decision-making as we deliver on our vision.

1. Achieve industry-leading **customer loyalty** by delivering on our brand promise.

2. Enhance **productivity** to drive performance and shareholder value.

3. Accelerate deployment of **digital technology** to transform our business.

4. Leverage our consolidated **North American platform** and expand strategically in select global markets to deliver growth.

5. Ensure our strength in **risk management** underpins everything we do for our customers.

Sustainability Principles

The guidelines we follow as a responsibly managed bank consider social, economic and environmental impacts as we pursue sustainable growth.

1. Social Change

Helping people adapt and thrive as society evolves – tailoring our products and services to reflect changing expectations, and embracing diversity and inclusion in our workplace and the communities where we do business.

2. Financial Resilience

Supporting customers’ needs and goals, while gauging appropriate levels of risk, as they shape their financial futures. And providing members of underserved communities with access to guidance and support that helps them and enables them to do better.

3. Community-building

Fostering social and economic well-being in the communities where we live and work by financing new enterprises, facilitating public investment, paying our fair share of taxes and, together with our employees, providing support through charitable donations, sponsorships and volunteer activities.

4. Environmental Impact

Reducing our environmental footprint while considering the impacts of our business activities as we work with stakeholders who share our commitment to sustainability.

We balance our commitments to all stakeholders as we pursue our business strategy and strive to fulfill our broader social responsibilities.

A Foundation of Trust

To continue earning the trust of our stakeholders, we act with integrity, communicate with transparency and uphold the highest standards of sound, ethical governance.

A Message from the CEO

Being a responsible bank means weighing the impact of every decision, everywhere we do business. And it means always thinking about what further contribution we can make: Building more robust communities. Protecting the environment. Helping people find new opportunities. And driving social and economic well-being. Because this is the only way to achieve sustainable growth.

Every new initiative at BMO starts with a basic question: What do our stakeholders expect? Not just our customers and shareholders, but also our employees. The communities where we do business. And all of society. Simply stated, our diverse stakeholders count on us to act ethically, transparently and responsibly. Always.

For our bank, sustainability is not an add-on. It's at the heart of our strategic agenda. The value we help to create goes far beyond the returns we deliver to investors. It's also measured by the positive impacts we achieve collectively with all of our stakeholders. And like them, we're continually adjusting our perspective in light of fast-changing social, political, economic and environmental issues.

In 2017, we formalized a set of sustainability principles focused on social change, financial resilience, community building and environmental impact (see page 1). They're clear statements of purpose that reinforce our promise to customers – *We're here to help* – and ground it in a deeper sense of responsibility. Placing these principles alongside our strategic priorities underlines what has always been clear from our actions: sustainability is integral to how our bank does business. How we make important decisions. How we manage risk. And how we drive long-term growth.

Our business is built on conversations. We listen closely to the customers who use our products and services. And to the change makers who ask us to partner with them as they launch ventures, create jobs, improve neighbourhoods and boost social and economic well-being. We need to understand their priorities. Appreciate their points of view. And respond meaningfully on the questions that matter – to all of us.

We also listen to our employees, working together to foster a mutually supportive culture anchored by the highest standards of ethical behaviour. The bank's Code of Conduct, grounded in our shared values, guides every choice we make and helps us gauge the actions of others. Across every area and level of the organization, we're committed to ensuring a work environment in which people feel welcome, respected and safe.

In all of these efforts, we consult regularly with the diverse community of stakeholders who contribute to our success and are affected by how we do business. We've identified the best global practices in stakeholder engagement, adapting them for our industry. And we're committed to rigorously measuring and reporting on BMO's sustainability performance. That commitment is reflected in this 2017 Environmental, Social and Governance Report and Public Accountability Statement.



As our bank continues to move forward, we're strengthening the bridge between strategy and sustainability. Because for us the choice is never between one or the other – it's both. We constantly look beyond the horizon. We stay agile and responsive as we adapt to, and help to create, new opportunities. At the same time, we're anchored by fundamentals that don't change – beginning with our accountability to all BMO stakeholders as we work to earn and retain their trust.

Darryl White
Chief Executive Officer
BMO Financial Group

A Message from the Chair, Sustainability Council

For us, sustainable growth means that we are focused on the long term and aware of the risks and opportunities. We may not know what the future holds, but we can be ready by laying the groundwork.

This was year three of our Stakeholder Engagement Strategy around environmental, social and governance issues, which feeds into our Materiality analysis. Results of surveys and interviews provide us with valuable insights into what's important to stakeholders and influence our priorities. Thank you to our customers, employees, investors, and community and civil society groups for participating in these efforts and sharing your views.

In our 2016 ESG Report, we declared our support for the United Nations Sustainable Development Goals (SDGs) and aligned our initiatives with them. Building on this work, this year, we have highlighted the five SDGs that are directly linked to our Sustainability Principles, where we believe BMO can have the greatest impact. See page 7 for examples of our 2017 accomplishments.

BMO received global recognition as a responsible business, by being named to the 2017 Global 100 Most Sustainable Corporations in the World for the fourth year in a row. BMO also received the 2017 Thomson Reuters/S-Network ESG Best Practices Award and is listed on the Dow Jones North America Sustainability Index, the FTSE4Good Index and the Euronext Vigeo index: World 120.

Diversity is not only one of our core values – it's one of our strengths. BMO was honoured as a 2017 Catalyst Award winner for its industry-leading work to accelerate diversity and inclusion. BMO is one of only nine organizations in the world to win the award twice. BMO also ranked #19 out of 6,000 publicly traded companies in the 2017 Thomson Reuters Diversity & Inclusion Index and was named to the 2017 Bloomberg Financial Services Gender-Equality Index for gender disclosures and best-in-class policies and practices.

In 2017, we established Vision 2020 goals for diverse workforce representation to help us maintain our industry-leading position. These goals are outlined on page 41 and include a new gender equity goal in senior leadership.

BMO is doing its part to address climate change through reducing our own environmental footprint, launching responsible investment products, managing the environmental and social impacts of our financing and lending activities, and raising billions of equity and debt in the capital markets for entities active in renewable energy. We have continuously set enterprise carbon emission reduction targets since 2008 and maintained our carbon neutral status since 2010. Our environmental performance is found on pages 49–50.



As we look ahead, everything we do and every decision we make will support our Strategic Priorities and our Sustainability Principles.

Thank you for taking the time to review our ESG Report. I welcome any questions or feedback through sustainability@bmo.com

Simon Fish
General Counsel and Chair,
BMO Sustainability Council

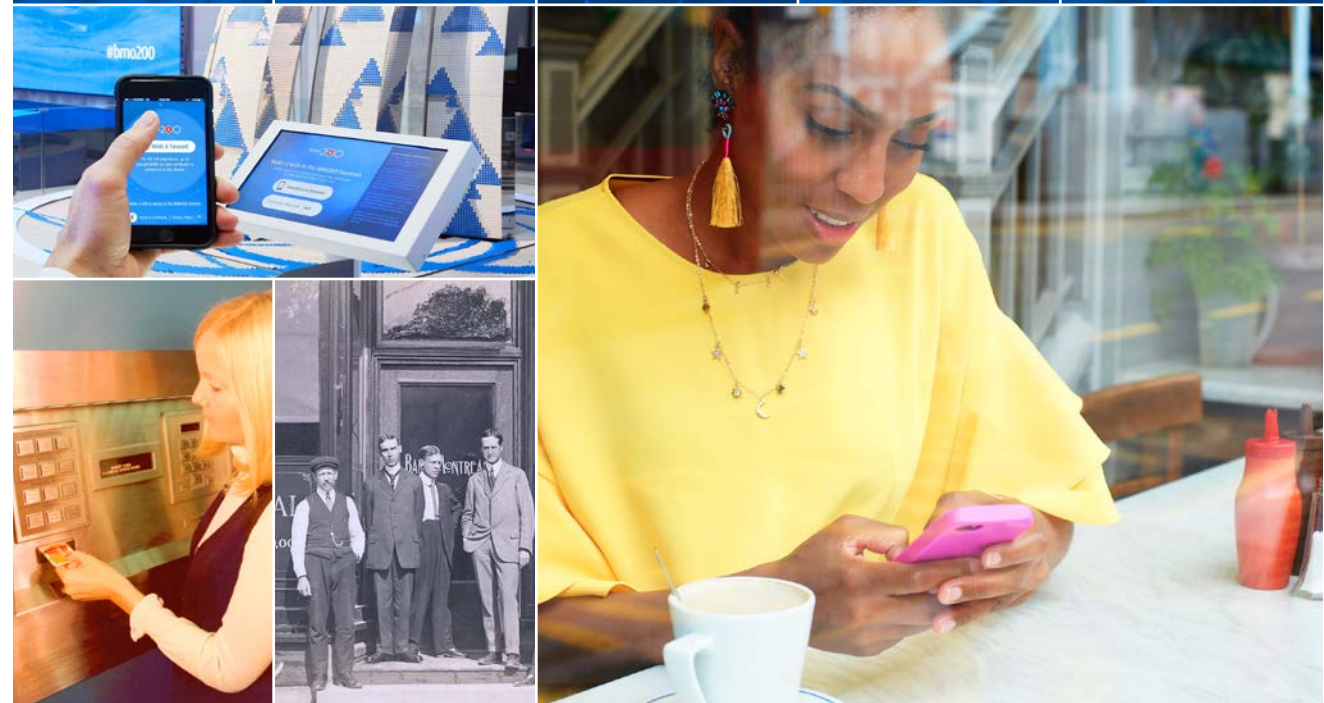
BMO Economic Contribution

In 1817, the Montreal Bank became Canada's first bank, and over the following decades went on to play a critical role in building the country, working to support its local and national financial systems and the prosperity of its people.



Today, we contribute to the social and economic well-being of the many communities and countries in which we do business and the many stakeholders we serve.

BMO'S 2017 direct economic contributions totalled billions of dollars in wages and benefits to employees, taxes to governments, payments to suppliers, donations to community organizations and dividends to shareholders. Our broader contributions included the financial products, services and advice we provided to our customers, as well as the financing we extended to our business clients and partners, which helped stimulate economic activity, build financial resilience and strengthen local communities across the country.



Awards and Recognition



2017 Award of Excellence in Corporate Reporting by the Chartered Professional Accountants of Canada

2017 Best Workplaces in Canada by the Great Place to Work Institute Canada

2017 Bloomberg Financial Services Gender-Equality Index

2017 Catalyst Award

2017 Gender Equality Award by the Global Compact Network Canada

2017 Global 100: Most Sustainable Corporations in the World

2017 Thomson Reuters Diversity & Inclusion Index

2017 Thomson Reuters/S-Network ESG Best Practices Award

Best Sustainable Investment Fund at the Investment Week Sustainable Investment Awards 2017 (F&C Responsible Global Equity Fund)

Canadian Coalition for Good Governance's 2017 Governance Gavel Award for Best Disclosure of Corporate Governance and Executive Compensation Practices

Canadian Lawyer InHouse Innovatio Awards for Compliance and Risk Management

Corporate Knights' 2017 list of Canada's Best 50 Corporate Citizens

Corporate Social Responsibility Leadership Award by the Financial Services Roundtable in the United States

Dow Jones Sustainability North America Index

Ethibel Sustainability Index (ESI) Excellence Global

Euronext Vigeo index: World 120

FTSE4Good Series Index

Gold certification in Progressive Aboriginal Relations by the Canadian Council for Aboriginal Business

Governance Professionals of Canada Excellence in Governance Award for Best Practices in Subsidiary Governance

oekom Prime

TalentEgg National Excellence Award for Social Responsibility in Recruiting

Top Corporate Citizen Award and the Corporate Leadership Award by United Way of Metro Chicago

WBE Canada's 2017 Corporate Member of the Year Award

About This Report

BMO's 2017 Environmental, Social and Governance (ESG) Report and Public Accountability Statement (PAS) covers our 2017 fiscal year (November 1, 2016 to October 31, 2017). We publish an ESG Report and PAS annually. The date of our previous report (for fiscal 2016) is January 2017. Unless otherwise noted, the information presented here is as at October 31, 2017, and all dollar amounts are in Canadian funds. Performance data in this report is enterprise-wide, unless otherwise stated. Where there has been a change in measurement methods, we have either identified the change in a footnote or described the change in the Glossary of Terms on pages 65–68.

ESG Report

Our ESG Report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines Core option and the GRI Financial Services Sector Disclosure. A GRI Content Index is provided on pages 51–64.

The content of this ESG Report was shaped by the findings of a materiality assessment that we completed in June 2017. As a result of this exercise, which followed the GRI Technical Protocol, we were able to update our ESG priorities (see the materiality matrix on page 11), and we have included definitions from our ESG survey, details and average stakeholder ratings for each priority topic discussed in this report. We have also expanded our disclosure to include executive compensation, which has emerged as a priority topic since the previous materiality assessment we conducted in 2015.

Our suite of publications:






Throughout this report, we refer to the following publications, all of which are available on our corporate website at www.bmo.com:

- Annual Report
- Employment Equity Narrative Report
- Management Proxy Circular

Public Accountability Statement






This report includes the Public Accountability Statements for Bank of Montreal, Bank of Montreal Mortgage Corporation, BMO Life Assurance Company and BMO Life Insurance Company. It outlines certain aspects of Bank of Montreal's contributions, and the contributions of our affiliates with operations in Canada, to the Canadian economy and society. These disclosures meet the requirements of the Canadian federal government's Public Accountability Statement regulations, section 459.3(1) of the *Bank Act* (Canada), section 444.2(1) of the *Trust and Loan Companies Act* (Canada) and section 489.1(1) of the *Insurance Companies Act* (Canada). These statements appear on pages 71–80.

Symbol Key

- ☰ Index
-  Sustainable Development Goal (SDG)
-  More information
-  BMO historical fact
-  Chapter icon
-  2017 facts/figures assured by KPMG
- XX Navigate to another section/page

Your feedback

We'd like to hear what you think about our ESG Report and PAS or any other aspect of our ESG and sustainability efforts. Please send questions or comments to sustainability@bmo.com.

Social Change	Community Building	Financial Resilience	Environmental Impact	
<p>5 GENDER EQUALITY</p>  <p>Achieve gender equality and empower all women and girls</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>Build resilient infrastructure, promote sustainable industrialization and foster innovation</p>	<p>10 REDUCED INEQUALITIES</p>  <p>Reduce inequality within and among countries</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>Ensure sustainable consumption and production patterns</p>	<p>13 CLIMATE ACTION</p>  <p>Take urgent action to combat climate change and its impacts</p>
<p>BMO has multi-year workforce representation goals that include gender equity in senior leader roles – Canada and United States (%). Our 2020 goal is a minimum of 40% women and men in each line of business.</p> <p>Learn more on pages 40 and 41.</p>	<p>BMO Harris Bank provided US\$552 million in community development loans in 2017 to support economic development, community services and affordable housing.</p> <p>Learn more on page 29.</p>	<p>In 2017, our Aboriginal Banking unit celebrated 25 years of working to meet the personal banking needs of Aboriginal peoples, provide financial advice to on-reserve businesses, partner with communities on their economic development initiatives and offer customized trust and investment management solutions.</p> <p>Learn more on page 26.</p>	<p>BMO has been carbon neutral since 2010. Early in 2017, we joined the Carbon Pricing Leadership Coalition (CPLC), a voluntary initiative that supports the implementation of carbon pricing around the world.</p> <p>Learn more on pages 48-50.</p>	<p>BMO Capital Markets participated in \$6.4 billion of renewable energy equity and debt financing and provided \$4.2 billion of loan commitments to renewable entities and renewable projects.</p> <p>Learn more on pages 31-32.</p>

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people are able to enjoy peace and prosperity. The 17 goals have specific targets to be reached by 2030, but this can only be achieved if governments around the world work in concert with the private sector and civil society organizations.

The SDGs provide a common set of objectives that governments, companies and investors can cite in order to consistently communicate how their activities are resulting in positive changes. Through BMO's participation in the Global Compact Network Canada (GCNC), we collaborate with other Canadian businesses on how best to report the progress being made toward achieving the SDGs.

Throughout this report, we indicate where our efforts are in alignment with specific SDGs. Here, we highlight the five SDGs for which we believe BMO can have the greatest impact, with relevant examples of our accomplishments in 2017.

ESG Scorecard

Indicator definitions are listed in the Glossary of Terms on pages 65–68.

	Target	2017 ¹	2016 ¹	2015 ¹
Environmental				
Renewable Energy				
Equity and debt financing (participated in) (\$ billions)		6.4	2.4	2.9
Loan commitments (\$ billions)		4.2	3.6	2.5
Operational Footprint				
Scope 1 emissions (tCO ₂ e)	15% reduction by 2021 ²	TBD ³	19,311	22,734
Scope 2 emissions (tCO ₂ e)		TBD ³	63,057	69,948
Scope 3 emissions (tCO ₂ e)		TBD ³	92,900	99,199
Social				
Employees				
Diversity and inclusion				
Women in senior leader roles ⁴ – Canada and United States (%)▲	40% by 2020 ⁵	40	39	37
Minorities in senior roles – Canada (%)▲	30% by 2020	29.2	26.9	25.5
People of colour in senior roles – United States (%)▲	20% by 2020	16	14	12
Persons with disabilities ⁶ – Canada and United States (% of total workforce)▲	4.5% by 2020	3.6	3.0	3.0
Indigenous Peoples – Canada (% of total workforce)▲	2.0% by 2020	1.2	1.3	1.3
Employee Engagement Index (%)▲	86% by 2020	83	80	81
Voluntary Turnover rate – Canada and United States (%)▲		11.6	11.7	11.4
Community Investment				
Donations – Canada and United States (\$ millions)▲		62.3	57.3	56.9
Community Development Loans – United States (US\$ millions)		552.0	652.9	947.3
Community Development Investments – United States (US\$ millions)		190.3	182.3	222.6
Governance				
Board Diversity				
Women on Board of Directors (% of independent directors)	No less than 1/3	42	36.4	36.4
Business Conduct				
Ethics training (% completion)▲	97% ⁷	99.7	99.6	99.3
Significant fines or monetary sanctions (#)▲	None	0	0 ⁸	0 ⁸
Customer Feedback				
Banking Reviews completed by BMO's Office of the Ombudsman (#)▲		247	215	181
Wealth Management Reviews completed by BMO's Office of the Ombudsman (#)▲		56	50	51

Legend

1. Fiscal year (November 1 to October 31)
2. Versus baseline year 2016
3. Available online in June 2018 at: Environmental Performance
4. Data for 2015 and 2016 has been restated to include all BMO groups, including BMO Capital Markets.
5. See pages 40–41 for further details on the new gender equity goals.
6. Data for 2015 and 2016 has been restated to include United States as only Canada data was reported in previous years.
7. Based on normal employee turnover, a completion rate of 97% or above is considered to include 100% of the employee population (see definition of Ethics Training in the Glossary of Terms).
8. Data for 2015 and 2016 includes Canada and United States only.

▲ 2017 data externally assured (KPMG's Assurance Statement is on pages 69–70)

Engaging Our Stakeholders

Understanding our stakeholders’ expectations and interests opens up opportunities for us to improve the way we do business, which in turn helps us make progress toward achieving our vision to be the bank that defines great customer experience. That’s why we make listening to our stakeholders a priority across the enterprise, and we’re constantly looking for ways to respond meaningfully to what we learn.

We engage with our stakeholders in the course of our day-to-day business operations, as well as through ESG-specific activities. Here are some examples:

Stakeholder Group	Engagement Activities		Key ESG Issues Raised	
Customers	<ul style="list-style-type: none"> • Advisory panels • Complaints management process (including BMO’s Ombudsman Office) • Dedicated mailboxes • Focus groups 	<ul style="list-style-type: none"> • Meetings, phone calls and email correspondence • Net Promoter Score surveys • Social media • Stakeholder ESG surveys 	<ul style="list-style-type: none"> • Business conduct • Fees and interest rates • Financial hardship • Fraud and fraud prevention • Level of service 	<ul style="list-style-type: none"> • Marketing campaigns and rewards • Policies and procedures
Employees	<ul style="list-style-type: none"> • Dedicated mailboxes • Enterprise Resource Groups • Internal grievance mechanisms • Senior leader internal blogs 	<ul style="list-style-type: none"> • Stakeholder ESG surveys • Surveys (ad hoc surveys, annual employee survey) • Team meetings • Town halls 	<ul style="list-style-type: none"> • Career development • Customer experience • Diversity and inclusion in the workplace 	<ul style="list-style-type: none"> • Employee wellness • Ethical culture and shared values
Shareholder and Investor Community	<ul style="list-style-type: none"> • Annual general meeting • Disclosure of interim and annual financial results • Investor conferences • Investor Relations website 	<ul style="list-style-type: none"> • Meetings, phone calls and email correspondence • Quarterly conference calls • Stakeholder ESG surveys • Shareholder and Investor dialogue 	<ul style="list-style-type: none"> • Business conduct and related policies and procedures • Corporate governance and disclosure practices • Corporate structure, lines of business and geographical footprint 	<ul style="list-style-type: none"> • Credit performance • Financial performance • Leadership development and succession planning • Management of key risks, including cyber security
Government and Regulators	<ul style="list-style-type: none"> • Meetings, phone calls and email correspondence 	<ul style="list-style-type: none"> • Regulatory submissions 	<ul style="list-style-type: none"> • Carbon pricing • Climate change initiatives in the financial services sector • Social finance 	<ul style="list-style-type: none"> • Supporting women entrepreneurs • Sustainable development goals
Civil Society	<ul style="list-style-type: none"> • Interviews • Meetings, phone calls and email correspondence • Questionnaires • Research papers (on key issues for our industry) 	<ul style="list-style-type: none"> • Stakeholder ESG surveys • Surveys (on key issues for our organization) 	<ul style="list-style-type: none"> • Access to banking/ Financial inclusion • Business conduct • Climate change • Corporate governance 	<ul style="list-style-type: none"> • Responsible investing • Responsible lending • Transparency and consumer protection

Materiality

We conduct a materiality assessment every two to three years to update and prioritize those topics that are the most important for us to address in our ESG planning and programs, and to discuss in our annual ESG Report. Our most recent assessment was conducted in 2017, with the assistance of a third-party consultant.

In alignment with the GRI Technical Protocol, the assessment involved three stages:

1.

Topic identification

- Identified 19 potential ESG topics in a broad review of global research and analysis that considered the specific issues facing our industry, reports on trends, sustainability reporting by peers in our industry, and widely acknowledged frameworks such as the GRI Standards and Financial Services Sector Disclosures.

2.

Prioritization

- Surveyed more than 3,300 individuals – a representative sampling of employees, customers, investors, communities/civil society organizations (CSO) and BMO leaders in North America, Europe and Asia – in order to find out how they rated each of the 19 potential topics on a four-point scale, based on its level of importance to BMO and BMO’s stakeholders, as well as how effective they believe BMO has been in addressing the topic.
- Plotted the topics on a materiality matrix based on their average survey ratings.
- Conducted in-depth interviews with select investors, community/CSO representatives and BMO leaders to gain an understanding of the context for the survey scores and comments, and to identify any other topics, risks and opportunities that we should consider and address.

3.

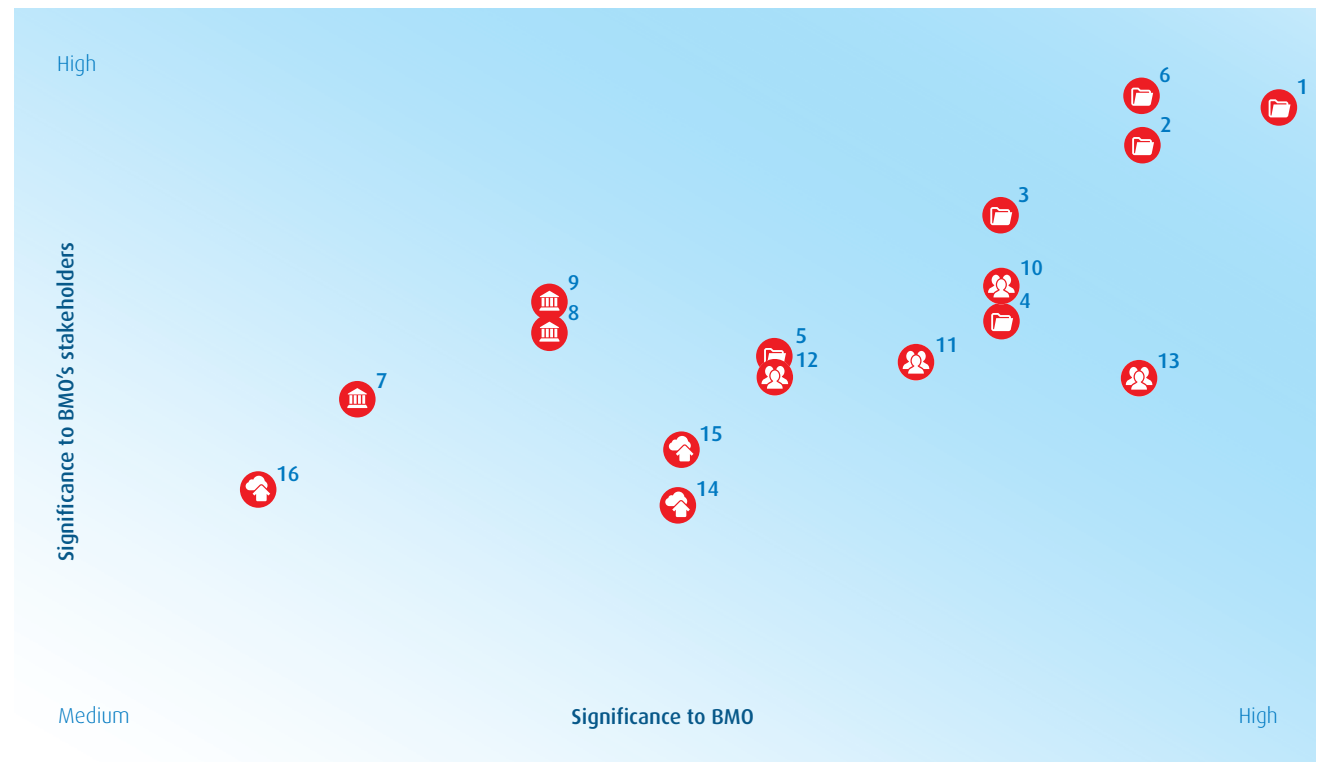
Validation

- Conducted an internal workshop with BMO leaders and subject-matter experts in which we reviewed and validated the topics on the materiality matrix. Participants also considered topics that fell below the threshold of materiality, as well as a number of other topics cited during the online survey and in-depth interviews, to determine whether any of those topics should also be addressed in some way in the ESG Report.
- Presented the final materiality matrix – including an indication of the priority topics to be discussed in our ESG Report and their alignment with specific topics in the GRI Content Index – to BMO’s Sustainability Council for validation.

Materiality matrix

This matrix reflects the results of our 2017 materiality assessment. We've grouped the priority topics under four themes that have shaped the content, structure and scope of our reporting. Definitions from our ESG survey and details for each priority topic are presented throughout this report.

Average survey scores out of 4.00, which are based on the extent to which stakeholders felt that the topic should be considered important to BMO, are shown in parentheses.



Notable changes in priority since our previous materiality assessment

- ^ Privacy and data security
- ^ Executive compensation
- ∨ Reducing our environmental footprint

Managing Our Business

- 1 Business Conduct (3.80)
- 2 Consumer Protection and Transparency (3.73)
- 3 Corporate Governance (3.59) *NEW for 2017*
- 4 Customer Feedback (3.38)
- 5 Executive Compensation (3.29)
- 6 Privacy and Data Security (3.82)

Advancing Responsible Banking

- 7 Access to Banking/Financial Inclusion (3.23)
- 8 Responsible Investing (3.38)
- 9 Responsible Lending (3.40)

Inspiring Our People

- 10 Diversity and Inclusion (3.45)
- 11 Employee Engagement (3.30)
- 12 Learning and Development (3.27)
- 13 Talent Attraction and Retention (3.27)

Building Sustainable Communities

- 14 Contributing to Our Communities (3.02)
- 15 Financial Literacy (3.13)
- 16 Reducing Our Environmental Footprint (3.05)

What we learned

Our priority topics are similar to those identified in the previous materiality assessment, which was conducted in 2015. However, each assessment reflects new or changing perceptions among our stakeholders. Here are three key takeaways from the 2017 exercise:

1. LIVING UP TO OUR VALUES AND OUR CODE OF CONDUCT IN EVERYTHING WE DO REMAINS THE LEADING PRIORITY.

Business conduct was the leading priority identified in our materiality assessment again in 2017. Internal and external stakeholders alike emphasized the importance of both having the best possible policies and codes of conduct in place, and ensuring that we live up to them.

We are aware of recent concerns related to sales practices in the financial services industry, and consistent with our Code of Conduct, we continue to work with our front-line staff to ensure they put our customers first. This includes training our employees to focus on understanding each customer’s financial situation and goals, and offering our customers the financial products and services they need.

We also continued our efforts to reinforce ethical behaviour in our culture and day-to-day business operations and to encourage employees to speak up if they see something wrong, so that doing the right thing every time will be the way we always do business at BMO. See pages [16–17](#) to learn more.

“We’d like to know more about how ethics are communicated and embedded at BMO. Companies that do this well have an ethical culture embedded from the ground up.”

– Canadian ethical investment manager

2. THE ROLE THAT BANKS ARE EXPECTED TO PLAY IN TACKLING ENVIRONMENTAL ISSUES HAS EXPANDED AND EVOLVED.

“Reducing our environmental footprint” is no longer among the most highly material topics in 2017. What became clear during the subsequent in-depth stakeholder interviews was that while reducing the environmental impact of our business operations is still relevant and important for us to manage, our most significant environmental risks and opportunities arise in our lending and investing activities – particularly as these activities relate to climate change.

With the growing global recognition of both the implications of climate change and the roles available to the financial services sector in supporting the transition to a lower-carbon economy, several analysts and investors reported that they were encouraged by the voluntary guidelines for climate-related financial disclosure recently put forward by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD).

Rather than seeing climate change as a single material issue, we understand it as a decisive factor in identifying both responsible lending and responsible investing as highly material topics for us. See the Responsible Lending (page [31](#)) and Responsible Investing (page [29](#)) sections for an account of what we’re doing in these areas.

In addition to the climate-related disclosure in our [BMO CDP Response](#), we’ve included a chart that shows our lending in the Natural Resources sector, as an example of our involvement in environmentally sensitive industries. See Responsible Lending (page [31](#)).

We continue to report on our performance in terms of our environmental footprint, since the related metrics have become part of our response to climate change and are now integral to the way we operate. See page [48](#).

“BMO’s disclosure focuses on renewables financing, which is of interest, but more information on exposure to financing of high-climate-impact industries, and long-term climate finance strategy and implications, would be desirable.”

– Canadian investment manager

“Climate change is one of the biggest macro risks to the global economy in the long term.”

– European investment manager

3. CYBER SECURITY IS TOP OF MIND FOR A BROAD RANGE OF STAKEHOLDERS.

Privacy and data security have always been important to BMO and to our stakeholders. Customers, employees, and investors rated Privacy and Data Security in the top three in terms of importance, and we believe this is related to the attention paid recently to cyber security (which we see as a subset of data security). Our stakeholders' concerns were not specific to BMO, but were driven by the growing number of high-profile data breaches and the ever-increasing reliance on technology across all business sectors.

Addressing data security risks requires significant investments in technical and executive/board-level capabilities, with robust technologies, processes and controls in place to monitor and manage those risks, along with a clearly articulated strategic vision that anticipates and helps mitigate risks across the enterprise.

While we recognize that we cannot disclose the details of our approach to safeguarding data, stakeholders have informed us that they would like us to share more information about our exposure to cyber security risks and the measures we're taking to protect ourselves and our customers, particularly with regard to our governance and oversight of data security.

In terms of reporting practices, we try to achieve an optimal balance between the disclosure of relevant information that meets regulatory requirements and explains our approach, and the need to protect the integrity of our systems and operations. Our approach to privacy and data security is discussed on page 23 of this report.

“There are significant business risks in any sector that has access to customer data. The consequences of data breaches are potentially serious in terms of reputation and what customers think of a bank.”

– European asset manager

Top three topics by stakeholder group

Based on the average level of each topic's importance, as assigned by each stakeholder group (listed in alphabetical order):

Customers

- Business conduct
- Consumer protection and transparency
- Privacy and data security

Employees

- Business conduct
- Consumer protection and transparency
- Privacy and data security

Investors

- Business conduct
- Corporate governance
- Executive compensation¹
- Privacy and data security¹

Community/Civil Society Organizations

- Corporate governance
- Responsible investing
- Responsible lending

“Privacy and data security are very important starting points for all financial institutions.”

– European investment manager

¹ Investors ranked executive compensation and privacy and data security as equally important.



Managing Our Business

Our long-standing commitment to ethical behaviour shapes and sustains our governance and business practices. We expect everyone in our organization to uphold that commitment by doing what's right, every day – and by considering the impact of every business decision on our customers and stakeholders. It's how we earn trust, manage risk and create lasting value.

42%

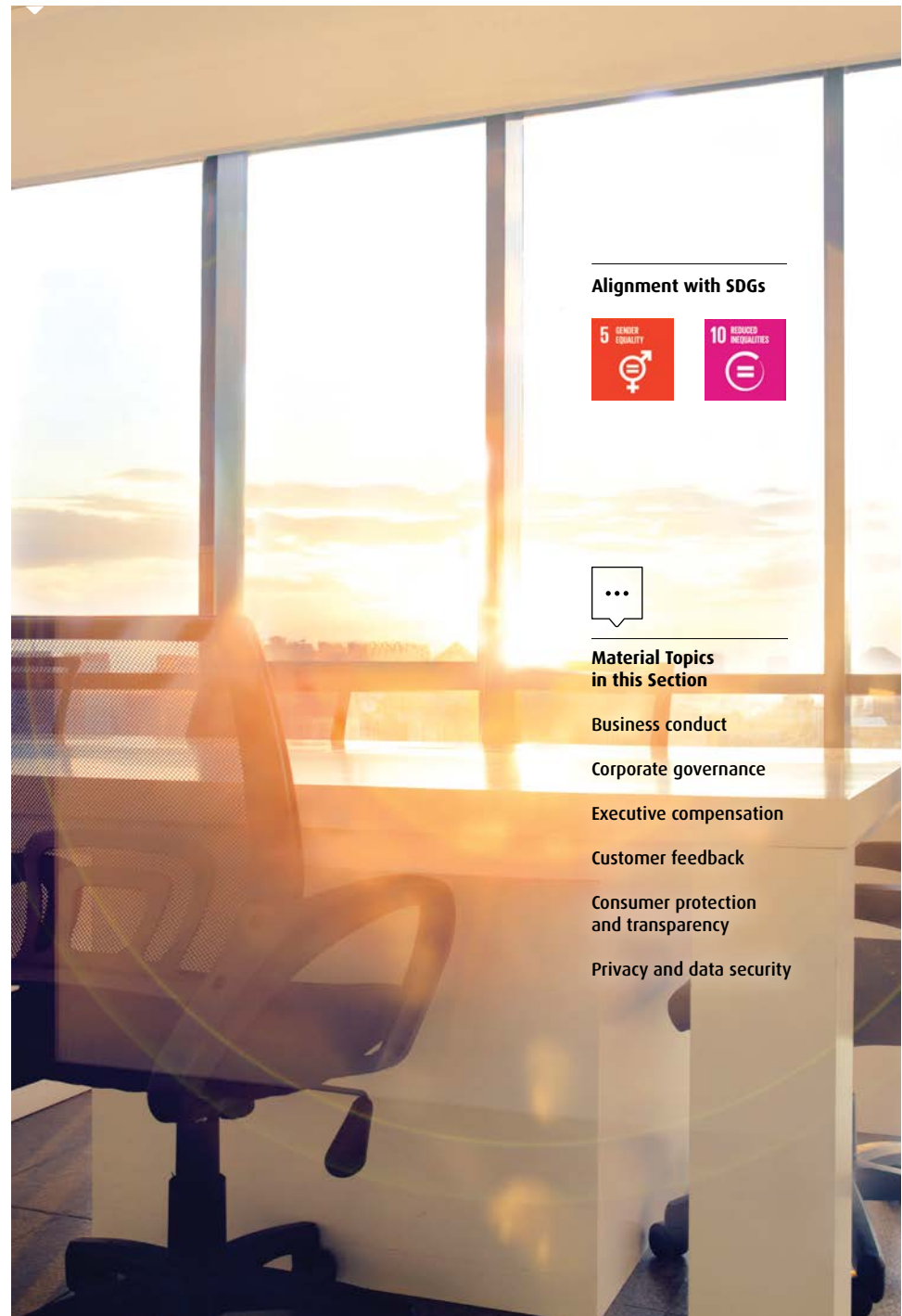
of the independent directors on BMO's Board are women

99.7%[▲]

of employees completed annual ethics training



Winner of *Canadian Lawyer InHouse* Innovatio Awards for Compliance and Risk Management



Alignment with SDGs



Material Topics in this Section

Business conduct

Corporate governance

Executive compensation

Customer feedback

Consumer protection and transparency

Privacy and data security

Jan Babiak brings unique expertise to her role as a member of BMO’s Board of Directors. A former managing partner of Ernst & Young LLP, she founded and led the firm’s global Climate Change and Sustainability Services practice. From her perspective, “virtually every topic on the board agenda relates to ESG in some way.”



Photo: Benedicte Brocard

Boardroom with a View

WHERE DO ESG PRIORITIES FIT WITHIN THE STRATEGY OF A BANK?

It requires a multidimensional approach, because you’re dealing with everything from social issues to environmental and financial risk. We make choices every day – about investments, which clients we’ll work with, anti–money laundering, how we incentivize our team, etc. – that must be considered holistically rather than piece by piece. The biggest risk is thinking too narrowly, focusing on one issue while ignoring others.

Of course investors want us to be profitable, but they also hold leaders accountable on ethical and reputational issues. There may be ways for the bank to make more money more quickly, but we have a duty to look at everything from the standpoint of our responsibility to society as well. True sustainability requires a long-term vision.

HOW DOES A BOARD HELP TO ENSURE GOOD GOVERNANCE AND BUSINESS CONDUCT?

ESG isn’t an annual box-ticking exercise. It has to be embedded in everything from strategy to operations to risk. We look at the company’s environmental and social impact and its relationships with employees, customers and suppliers – as well as governance issues such as shareholders’ rights, audit practices and the investment portfolio.

As stewards of the company, one of our main roles is making decisions about leadership. And a key part of that – as we oversaw the bank’s recent CEO succession, for instance – focuses on values and ethics. And then our job is to ensure leaders have the resources they need to follow through.

WHAT’S CHANGED OVER THE PAST 20 YEARS IN THE WAY COMPANIES HANDLE ESG ISSUES?

When I was leading sustainability efforts, I was based in Europe, which was further ahead in some aspects of ESG, such as protecting the environment. Even 20 years ago, many European companies had started finding ways to operate profitably while protecting the environment – whereas in North America, most environmental efforts were directed toward branding or recruitment, rather than being integral to business strategy. Now we are beginning to see more understanding that what is good for society – diversity, ethics, strong governance – will also be good for business, and the bottom line.

Certainly the investment community has come to realize that failing to address these issues will cost you money in the long run. Some organizations are moving faster than others, but a mainstream view has emerged that equates ESG with “this is how we do business.”

YOU’RE AN ADVOCATE FOR GREATER DIVERSITY ON BOARDS. WHY IS IT SO IMPORTANT?

One aspect of diversity I feel strongly about, not surprisingly, is the representation of women at every level of the organization. It’s been proven that when you have diverse leadership at the board level, you achieve greater returns in terms of both revenue and equity. Women drive the vast majority of spending decisions in the consumer market. So they’re a huge part of this bank’s customer base, and we would limit our potential by not having women leaders. BMO has done a great job in the area of equitable gender representation.

That said, I feel strongly that it’s not just about gender representation on boards or in management – it’s about representation of all kinds of diversity, in every role, at every level. Diversity expands the perspectives that the organization can draw upon to help ensure its success and to stay competitive. If everyone is thinking alike, there’s a lot of redundancy and much less innovation. This isn’t just about doing the right thing – though it is the right thing. It’s a good long-term business decision that creates sustainability in every sense of the word. 🍎

The Code is updated annually to reflect evolving stakeholder expectations, emerging issues, legislative changes and best practices. These updates are reviewed by senior management and approved by BMO's Board of Directors.

The Board sets out BMO's expectations for a sound ethical culture and oversees compliance. Our Ethics Office, led by the Chief Ethics Officer, provides support to ensure that these expectations are clear and well understood across the organization. This includes promoting employee awareness through formal and informal training and communication programs. Each year, all BMO employees must complete our Ethics, Legal and Compliance Training (ELCT) program.

A key premise for an effective ethical culture is the ability to raise concerns without fear of retaliation. Employees have options to raise concerns. These include the Ethics Office, Human Resources, the Investigations team and a confidential third-party reporting service offered by BMO's Office of the Ombudsman for those who want to remain anonymous. Consequences of violating the Code range from mandatory coaching and supervisory support to termination and legal action.

Our responsibility is not only to follow the Code ourselves, but to apply its principles in our relationships with our suppliers. Our Supplier Code of Conduct sets out specific expectations related to integrity, fair dealing and sustainability. It is updated every two years to address evolving trends, issues and legislative requirements.

Our shared beliefs about welcoming individuals from diverse backgrounds, perspectives and communities, and protecting fundamental human rights in every jurisdiction where we do business, are embedded in our Code. In line with these principles, we issued our first Modern Slavery and Human Trafficking Statement in 2017 as a response to the provisions of the UK *Modern Slavery Act* (2015). The Statement reaffirms our commitments and the steps we take to uphold them. Our Supplier Code of Conduct has also been updated to reflect this legislation.

Everyone in our organization plays a part in maintaining BMO's reputation and is expected to be fully aware of our Code and understand how it relates to their everyday actions. We use metrics such as the results of our annual BMOPulse employee survey, ongoing internal ethics polling and ELCT program completion rates to assess how well we're doing in this regard, and we make adjustments in our approach to training and communication as needed.

Provided thought leadership on innovative best practices for Creating a Speak-Up/Listen-Up Culture at the Ethics and Compliance Initiative Best Practices Forum.

Business Conduct

Our long-standing commitment to the highest standards of integrity, transparency and accountability has sustained BMO and continues to define us. In a world of constant change and evolving stakeholder expectations, having a sound ethical culture is essential to meet the challenges of today, protect our reputation and prepare us for the challenges of the future.

Definition: Behaviour that is consistently aligned with our Code of Conduct and values, resulting in positive outcomes for all of our stakeholders.

OUR APPROACH

Our Code of Conduct (the Code) is the ethical foundation for everyone in our organization as we commit to do the right thing for our customers. Based on BMO's values of integrity, empathy, diversity and responsibility, the Code guides our decisions, actions and the way we work. It applies to our Board of Directors and employees alike.

Related BMO policies and statements

[BMO's Code of Conduct](#)

[Supplier Code of Conduct](#)

[Modern Slavery and Human Trafficking Statement](#)

[BMO's Statement on Human Rights](#)

BMO's Code of Conduct: www.bmo.com/home/about/banking/corporate-information/codeofconduct

Supplier Code of Conduct: https://www.bmo.com/pdf/Supplier_Code_of_Conduct_Final.pdf

Modern Slavery and Human Trafficking Statement: https://www.bmo.com/cr/files/BMO_ModernSlaveryHumanTraffickingStmFeb2017en.pdf

BMO's Statement on Human Rights: www.bmo.com/cr/files/BMOHumanRightsApril2017.pdf

92%

of our employees are confident that BMO is ethical in its business dealings, according to our 2017 annual employee survey



HIGHLIGHTS

We refreshed a number of training and communication programs and tools in 2017 to ensure that BMO's ethical expectations resonate with all employees and are well understood. This included:

- Adopting a scenario-based approach in our ELCT program to encourage employees to think rather than simply memorize.
- Rolling out a multi-channel and multi-modal approach for delivering targeted communications, which included flipbooks, videos, content and animated graphics for our various intranet sites, and BMO's employee mobile app.
- Involving senior leaders in communicating key ethics and compliance messages.
- Introducing a Doing What's Right decision-making job aid for all employees, enterprise-wide, to guide their decisions and ensure that they comply with BMO's values, Code of Conduct and policies, and legal and regulatory requirements.

Corporate Governance

Sound and effective corporate governance is important – to all our stakeholders – and to us. Defining and sharing clear expectations for governance supports ethical conduct, which in turn helps us do better at running our business and complying with the legal and regulatory requirements that apply to us.

Definition: Strong oversight of environmental, social and governance issues, as well as Board diversity, independence and experience.

OUR APPROACH

BMO strives to meet rigorous standards of corporate governance, following best practices in our industry and meeting or exceeding legal, regulatory, TSX, NYSE and NASDAQ requirements. We monitor regulatory changes, and we routinely review evolving governance practices in order to identify those that will best serve the interests of our stakeholders.

Sound and effective governance starts with our Board of Directors. Our Board is composed of well-informed people with diverse backgrounds and relevant experience who, with the exception of the CEO, are independent from management. In keeping with the Board's

Diversity Policy, the ethics and integrity, range of experience, good business judgment, areas of expertise, personal skills and qualities, gender, age, ethnicity and geographic background of every potential director candidate are carefully considered. The Policy mandates that each gender must represent at least one-third of independent directors. A skills matrix is used in assessing the overall strength and diversity of the Board. Directors complete an anonymous online Board assessment survey every year, which includes a peer evaluation component, and they meet one-on-one with the Chairman to provide additional feedback.

Our core values guide the Board's exercise of its oversight responsibilities, its relationship with management and its accountability to stakeholders. A number of Board committee charters set out specific responsibilities for addressing ESG matters. For example, the Audit and Conduct Review Committee has oversight responsibility for business conduct, sustainability and ethics, and reviews and approves our annual ESG Report and PAS.

42%

of the independent directors (5 of 12) on BMO's Board are women

BMO's Sustainability Council, comprised of senior leaders from business and corporate areas across the organization, provides guidance and insight on ESG matters. Our CEO has appointed BMO's General Counsel as Chair of the Council.

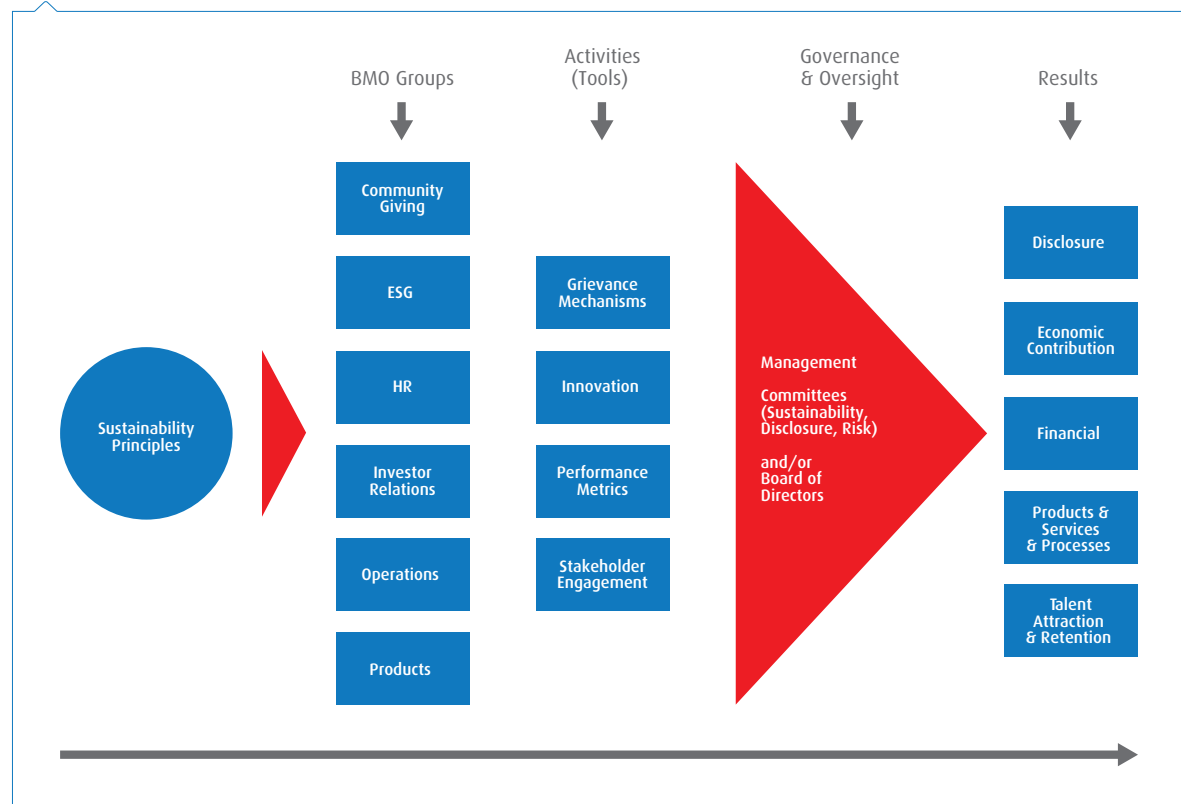
Maintaining an ongoing dialogue with our shareholders is important for the Board, and our Shareholder Engagement Policy sets out the ways in which shareholders can communicate with the Board and BMO management. We also maintain an independent third-party reporting service that allows employees and other stakeholders to confidentially, and anonymously if they prefer, report concerns related to accounting and financial reporting or our Code of Conduct to BMO's Office of the Ombudsman.

Learn more about our governance practices

- [Board Diversity Policy](#)
- [Board Oversight of Sustainability Issues](#)
- [Shareholder Engagement Policy \[PDF\]](#)
- [Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures \[PDF\]](#)
- [Statement of Corporate Governance Practices \[PDF\]](#)
- [BMO website - Corporate Governance Select Documents, including our 2017 Management Proxy Circular](#)

ESG GOVERNANCE FRAMEWORK

This framework provides an overview of the structures and processes we follow to execute on our ESG Strategy.



Board Diversity Policy: www.bmo.com/home/about/banking/corporate-governance/board-of-directors/board-diversity
Board Oversight of Sustainability Issues: https://www.bmo.com/home/about/banking/corporate-responsibility/our-approach/our-commitment#corporate_responsibility_governance
Shareholder Engagement Policy: <https://www.bmo.com/home/about/banking/corporate-governance/about-us/shareholder-engagement-policy>
Statement on Anti-Money Laundering, Anti-Terrorist Financing and Sanctions Measures: www.bmo.com/cr/images/BMOAMLATandSanctionsMeasuresMarch2016.pdf
Statement of Corporate Governance Practices: www.bmo.com/corporate-governance/files/en/SCGP-2016-EN.pdf
BMO website - Corporate Governance Select Documents: www.bmo.com/home/about/banking/corporate-governance/select-documents



Governance Professionals of Canada
Excellence in Governance Award for Best Practices in Subsidiary Governance



Pauline Vanier, BMO's first female director, joined the Board in 1967.

HIGHLIGHTS

BMO's Subsidiary Governance Office works with the Human Resources group to identify a diverse range of potential director candidates for subsidiary-company boards. A subsidiary's Corporate Secretary provides a list of required skills as identified in its skills matrix to Human Resources, which in turn identifies executives with diverse backgrounds who have the requisite skills and would benefit from board experience. These candidates are included in the pool of potential directors.

BMO's Chairman hosted a biennial institutional shareholders' luncheon in January 2017 that included all of our Board committee chairs and representatives of 10 investor firms and the Canadian Coalition for Good Governance. Management was not present at this meeting. Afterwards, our Investor Relations team and senior leaders followed up with attendees to address any outstanding concerns related to management activities.

Our Corporate Secretary's department, Investor Relations team and ESG team maintain an ongoing dialogue with a variety of stakeholders in order to understand what's important to them and to discuss topical issues.

Executive Compensation

BMO's Board of Directors believes that our success in achieving our vision and strategic priorities depends on the capabilities and performance of our people. The Board also believes that executive compensation can be an important driver of success and growth in shareholder value. We are aware that stakeholders are keenly interested in our executive pay practices.

Definition: Fair and transparent remuneration and compensation, including linking senior executive compensation with the achievement of environmental, social and governance performance targets.

OUR APPROACH

BMO complies with or exceeds all relevant requirements for executive compensation disclosure, and we implemented an annual "Say on Pay" vote on executive compensation for shareholders in 2010.

The Human Resources Committee of the Board establishes and oversees BMO's human resources strategies, including compensation and talent management. The Committee has structured BMO's executive compensation program and policies to support the organization's vision and strategic priorities, and to give executives a significant personal stake

in BMO's long-term growth and success. Enterprise results, compensation for executives and returns on investment for shareholders are all strongly connected in a way that does not encourage or reward inappropriate risk-taking.

Executives earn more when our results are above our performance goals, and less when they are below. This is achieved by aligning executive awards with performance against enterprise, operating group and individual performance objectives that support the achievement of our vision and strategic priorities.

The Committee also considers other financial and non-financial factors, including performance against BMO's peers, the quality of our earnings and other factors, in order to assess performance and confirm that all performance-based awards align with the principles of sound governance and prudent risk management.

To link BMO's performance on ESG metrics to senior executives' objectives, the Committee also takes into account people leadership, employee engagement scores and BMO's overall audit and compliance results in its compensation decision-making process.

Performance of executives at the operating group level is assessed on the profitability of their areas of accountability. Their contributions to enhancing BMO's productivity, and more specifically to reducing expenses, are also assessed. ESG contributions are also considered. Limiting employee travel for business purposes (e.g., commercial air travel) and substituting alternatives like Webex, Skype and other online conferencing tools is one area in which BMO's focus on reducing expenses has also contributed to achieving targeted reductions in greenhouse gas emissions.



BMO was one of two winners of the Canadian Coalition for Good Governance's 2017 Governance Gavel Award for Best Disclosure of Corporate Governance and Executive Compensation Practices

EXECUTIVE COMPENSATION AT BMO HAS FOUR CORE PRINCIPLES

Attract and retain executive talent	Link compensation to enterprise performance
Compensation helps attract and retain talented people and motivates them to excel in order to achieve objectives.	Executive compensation design and implementation must align with BMO's strategy and link to both enterprise and operating group performance.
Encourage a long-term view to increase shareholder value	Align with prudent risk-taking
A significant portion of variable pay for each executive is equity-based. Each executive must meet share ownership requirements.	Compensation structure does not encourage excessive risk-taking and rewards appropriate use of capital. A significant portion of each executive's compensation is deferred.

See our [2017 Management Proxy Circular](#) for a full discussion and analysis of BMO's executive compensation practices.

Customer Feedback

Our customers are always at the centre of our business, in keeping with our vision to be the bank that defines great customer experience. We make progress toward realizing that vision by constantly listening to our customers and inviting their feedback. This helps us understand what's working – and what's not – and enables us to gather actionable insights into how we can improve our customers' experience.

Definition: Welcoming and integrating customer feedback into product and service development through feedback mechanisms such as customer loyalty surveys.

OUR APPROACH

We gather feedback through customer loyalty surveys and our complaint resolution processes, as well as in the course of our daily interactions with our customers.

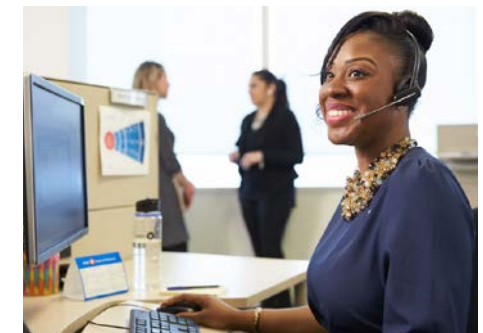
In Canada, our customer complaint resolution process is outlined at "Resolve a Complaint" on the BMO website. We also offer a brochure titled "We're here to help – Resolving customer complaints" at our retail branches. As a first step, we encourage customers to speak to a representative at the branch or office where the complaint originated. If the complaint remains unresolved, customers are invited to contact a senior officer followed by the BMO's Office of the Ombudsman. In the United States, customers are asked to call a toll-free number or complete an online form if they have a complaint.

Our enterprise listening platform systematically analyzes customer feedback from many different sources, including feedback we receive directly from front-line employees, and synthesizes the key overarching themes.

The Net Promoter Score (NPS) is the primary metric we use to track customer experience, and is a factor in individual performance scorecards and decisions on executive compensation. NPS is measured in different ways for different groups and customer experiences. For example:

- Relationship NPS is a holistic measure of customer loyalty to BMO.
- Transaction NPS is a measure of customer loyalty related to a specific transaction or interaction.
- Journey NPS is a measure of customer loyalty related to significant end-to-end experiences like buying a home.

We maintain active NPS programs across all of our Customer Contact Centres and branches, using a sampling approach. In the Collections Call Centre, all of the customers we speak to are asked to complete a survey at the end of their call.



In 2017, we conducted an assessment of our existing NPS programs to identify best practices and improve the efficiency and effectiveness of the above initiatives on our customer loyalty metrics. As a result, we shortened our customer surveys to achieve higher response rates and added open-ended questions that allow respondents to provide detailed commentary. BMO's NPS scores are not publicly disclosed.

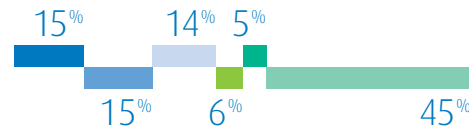
HIGHLIGHTS

Customers completed 301,094 loyalty surveys across North America enabling us to gather actionable insights into how we can improve our customers' experience.

The Effortless Experience, an initiative in which our associates are encouraged to put themselves in a customer's position so that they are better able to address that customer's needs with confidence and deliver on our brand promise, was launched across our Customer Contact Centres in early 2017. Our associates actively manage conversations with customers by using a purposeful, positive vocabulary that is anchored in relevant solutions, demonstrating to our customers that we're their advocate and we're here to help. The initiative is having a positive impact – customer feedback has been favourable and employees appreciate the simplicity of this new approach.

Digitally engaged customers are twice as loyal as other customers, and they are more likely to have deeper relationships with BMO. We introduced Digital Demos in 2017 for both employees and customers. This new tool provides step-by-step instructions on how easy and convenient online and mobile banking can be.

2017 ESCALATED COMPLAINTS (CANADA)

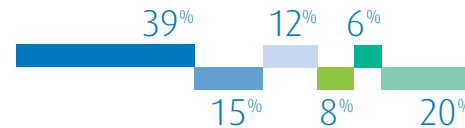


Top Customer Experience Concern Themes	% of total
Quality of Service	15
Fees & Interest	15
Fraud & Merchant Dispute Claims	14
Payment Handling	6
Marketing Campaigns & Rewards	5
Other (e.g., Estates, cheque cashing, holds, tax reporting)	45

There was a 17% overall decrease in the number of escalated customer complaints, including a slight decrease in customer quality of service complaints. This strong downward trend suggests that BMO effectively and efficiently resolves customer complaints at the first point of contact and is improving the customer experience. This trend is attributed to numerous initiatives, such as additional staff training and job aids to address top customer complaints and increased branch usage of specialized guidance from BMO's Customer Advocacy Centre.



2017 ESCALATED COMPLAINTS (UNITED STATES)



Top Customer Experience Concern Themes	% of total
Deposit Account	39
Branch	15
Lending (Excluding Mortgage)	12
ATM/Debit Card	8
Mortgage	6
Other	20

As part of BMO Harris' ongoing evaluation of customer expectations and the increasing customer desire to bank on their terms (when and where they choose), BMO Harris partnered with Allpoint[®] ATM network providing its customers with fee-free access to 40,000 more ATMs across the United States, and 10,000 more ATMs globally. Additionally, it was determined that in-branch coin counting machines no longer added the values once realized. The removal of coin counting machines generated a slight increase in customer feedback.

BMO'S OFFICE OF THE OMBUDSMAN

As the final step in our Canadian internal dispute resolution process, the Office of the Ombudsman conducts a confidential and impartial review of customer complaints – grounded in fairness, integrity and respect – that considers the interests of all parties, as well as applicable laws, policies and standard industry practices.

Customers can also take their concerns to one of BMO's external dispute resolution providers, the Ombudsman for Banking Services and Investments or the OmbudsService for Life & Health Insurance for a further impartial, informal and confidential review.

In 2017, the Office of the Ombudsman completed a review of 303 complaints, of which 247▲ were Banking reviews and 56▲ were Wealth Management reviews. This represents an increase of 14% compared with 2016.

The average length of time to close Banking reviews was 63▲ days, while the average length of time to close Wealth Management reviews was 95▲ days. In the opinion of the Office of the Ombudsman, 178 of the 247▲ Banking reviews completed and 39 of the 56▲ Wealth Management reviews completed were resolved to the customer's satisfaction.

Consumer Protection and Transparency

"We're here to help" is BMO's brand promise, and it applies to all of the products, services and advice we offer. This is our way of telling our customers that we'll always act in their best interest. It's how we earn their loyalty, which is essential to our continued success over the long term.

Definition: Ensuring that the bank's financial products and services are secure and that the bank and its employees provide transparent information and advice.

OUR APPROACH

We want our customers to succeed. That's why we make every effort to provide them with information they can understand, choices that are meaningful, and clear, relevant advice that addresses their needs and helps them protect their financial future. For example:

- All of our banking and investment offerings comply with consumer protection laws and regulations, voluntary codes of conduct and public commitments regarding the fair design and sale of financial products and services.

BMO adheres to many voluntary codes of conduct and public commitments intended to protect consumers. For the complete list, see ["Voluntary Codes of Conduct and Public Commitments"](#) on the BMO website.

- We provide our front-line employees with extensive training and specialized tools that equip them to recommend the appropriate products and answer customers' questions.
- We strive to use clear and simple language in our marketing.
- We offer financial education to our customers to help them understand the nature of our products and services and the agreements they sign.

Key metrics for assessing our effectiveness are drawn from customer experience survey results (NPS scores), customer complaints and customer retention rates. NPS scores are factors in individual performance scorecards and decisions about executive compensation. See Customer Feedback on page 20 to learn more.

HIGHLIGHTS

In Canada, the *Bank Act* requires banks to inform customers in plain language that coercive tied selling is illegal. "Coercive tied selling" means pressuring customers to buy a product or service that they don't want as a way of obtaining another product or service. As one part of the financial education we offer to our customers, we created ["What you need to know about coercive tied selling,"](#) a booklet that explains how to recognize the practice and how customers can contact us if they have a question, complaint or concern.

We've also taken a number of additional steps to protect seniors and vulnerable clients. This includes creating new plain-language power of attorney forms and e-forms and updating our policies.

We are aware of recent concerns related to sales practices in the financial services industry, and consistent with our Code of Conduct, we continue to work with our front-line staff to ensure they put our customers first. This includes training our employees to focus on understanding each customer's financial situation and goals, and offering our customers the financial products and services they need.

Voluntary Codes of Conduct and Public Commitments: www.bmo.com/home/popups/global/codes-of-conduct
 What you need to know about coercive tied selling: www.bmo.com/bmo/files/images/3/1/CoerciveTiedSelling_eng.pdf



Privacy and Data Security

As a financial institution that relies extensively on online transactions and advanced digital technologies, we are committed to safeguarding our customers' personal and financial data. Our customers expect us to take all necessary precautions, and our reputation depends on our ability to protect their information.

Definition: Includes taking precautions to address the protection of personal and business information, fraud prevention and cyber security, as well as offering information to customers on how they can protect themselves.

OUR APPROACH Information Security

BMO follows sound and effective information security practices to help protect our business, operations, brand and reputation.

In order to better protect our customers, we proactively invest in people and technology so that we can improve our capabilities to prevent, detect, respond to and manage cyber-security threats. To maintain our resilience in the face of

cyber-attacks, we routinely evaluate the effectiveness of key controls through testing, reviewing best practices and benchmarking, using external frameworks such as the ISO 27001 information security management standard and the U.S. National Institute of Standards and Technology cyber-security framework. We also work with cyber-security experts and suppliers to improve controls, bolster internal resources and enhance our technological capabilities.

BMO's Chief Information Security Officer heads up our Information Security Office and is responsible for the enterprise-wide information security program. The program sets out requirements for mandatory annual training for employees, complying with relevant regulations and reporting information security issues to management and the Board.

As part of our Ethics, Legal & Compliance Training program, all BMO employees are required to complete BMO's Information Security and Privacy Matters training when they join BMO, and annually thereafter.

Privacy

Privacy is a highly visible business and public policy issue. New technologies have led to new business strategies that make use of personal information, which is raising awareness and concerns among our customers related to their privacy. We must comply with privacy legal and regulatory requirements in all of the jurisdictions where we operate. To promote compliance with these requirements, our mandatory annual training for all employees covers privacy matters.

In Canada, BMO's [Privacy Code](#) outlines our commitment to customers and the 10 key privacy principles we follow. The Code also outlines the channels through which our customers can make and escalate privacy complaints. In other jurisdictions, we follow local requirements for providing mechanisms to raise privacy concerns.

BMO has established a Privacy Office, led by our Chief Privacy Officer, which is responsible for overseeing our privacy risk governance program. The program sets out BMO's policies and procedures for identifying, managing, measuring, mitigating and reporting privacy risk. All incidents involving suspected or actual privacy breaches must be reported to the Privacy Office, which then manages BMO's response to these incidents.

Privacy risk is assessed and monitored in BMO's supplier management and enterprise compliance programs, and also in a number of new initiatives. The Privacy Office has a data-driven reporting system that tracks key metrics. The Office reports quarterly to the Audit and Conduct Review Committee of the Board in Canada, and the Audit Committee in the United States, and provides reports on

6

privacy-related substantiated BMO customer complaints made to regulators

privacy issues to all of our operating groups and corporate areas to help them understand their state of readiness to protect privacy and identify opportunities for improvement.

HIGHLIGHTS

While email is a convenient way for customers to connect with BMO representatives, it often involves sending attachments or providing personal information. Our PROTECT Message Center is available for our customers to receive and send emails with confidence. This simple, free service encrypts or scrambles confidential information and stores it in a secure format for 90 days. To learn more, see the [Security Centre](#) on the BMO website.

BMO has a 100% electronic banking guarantee for Personal Banking customers that covers any losses from their personal bank accounts which result from unauthorized transactions conducted through BMO Online or Mobile Banking. See the [Security Centre](#) on our website for details.

Related BMO policies and statements

[BMO website - Privacy Code - Canada](#)

[BMO Harris website - Privacy Notice - United States](#)

Security Centre: www.bmo.com/main/about-bmo/privacy-security/how-we-protect-you#
 BMO website - Privacy Code - Canada: www.bmo.com/home/about/banking/privacy-security/our-privacy-code?sr=0urPrivacyCodeBMOFinancialGroup%7Cq=privacy+code
 BMO Harris website - Privacy Notice - United States: <https://www.bmoharris.com/us/about/privacy>



Advancing Responsible Banking

At BMO, our understanding of responsible banking involves pursuing broad societal goals – from making financial products and services widely available and easily accessible, to combatting climate change and its effects. We believe that BMO’s size, scale and influence confer a responsibility to do the right thing, while also providing an opportunity to bring about meaningful change.

\$4.2^B

loan commitments to renewable entities and renewable projects



Engaged with 1,363 companies about ESG issues

\$226^M

loans made through our On-Reserve Housing Loan Program



Alignment with SDGs



Material Topics in this Section

Access to banking and financial inclusion

Responsible investing

Responsible lending



40%

By 2030, global demand for water will outstrip supply by 40%, according to United Nations forecasts

Liquid Assets

Water is a natural resource we tend to take for granted; yet, increasingly, for many people it's in short supply. A recent United Nations report predicts that by 2030, two-thirds of the world's population will be living in water-stressed regions. The negative impacts will be felt everywhere, from homes and businesses to public health and sanitation systems – and above all in agriculture, which accounts for about 70% of freshwater use across the planet.

In 2017, for the third consecutive year, The Global Risks Report lists a water crisis as a top three risk in terms of impact; the threat of a global crisis is naturally worrisome for all enterprises that depend on water. Among them is PepsiCo, one of the largest multinational food and beverage conglomerates. The company relies on water for its direct operations and its supply chain, which includes agricultural production.

In addition to being essential for business, water conservation features in PepsiCo's corporate sustainability efforts as an issue that concerns customers, employees and communities around the world.

Increasingly, investors are analyzing ESG factors within the investment decision-making process, and water is one of the key issues. ESG analysis is an area in which BMO has taken a leadership role. Our Governance and Sustainable Investment (GSI) team, which sits within BMO Global Asset Management, works with fund managers and closely examines sustainability performance in order to gain a better understanding of the full set of risks and opportunities our portfolio companies face. Combining a wealth of experience from a variety of backgrounds, including finance, non-governmental organizations, public policy and government, the UK-based team considers factors such as labour standards, corporate governance, anti-corruption measures, nutrition and

climate change – many of which are closely aligned with the Sustainable Development Goals (see page 7). The GSI team also engages companies to encourage stronger performance and disclosure on sustainability. In 2017, BMO Global Asset Management's GSI Team actively engaged with 1,363 companies from 12 countries.

Our engagement with PepsiCo, which dates from 2008, has deepened in recent years as the issues have become more pressing and commonplace. One area the GSI team has focused on with PepsiCo is water risk within agricultural supply chains, analyzing the company's efforts to systematically manage current and future resources while working with farmers and suppliers in water-stressed regions.

In 2015, PepsiCo met or exceeded all of its water goals. Most notably, the company reduced its operational water use per unit of production by approximately 26% versus a 2006 baseline, exceeding its goal of 20%. "The GSI team is encouraged with the progress the company has made," says Emma Lupton, ESG Analyst, BMO Global Asset Management. "We appreciate the more progressive water targets set for 2025, given that PepsiCo's management team acknowledged they needed to go beyond the 2015 targets. We are monitoring progress on the new goals now."

BMO's Governance and Sustainable Investment team engages with 1,363 companies in their efforts to manage vital resources.

"For our clients, short-term returns are no longer the only metric used to judge the value of an investment," says Emma, who combines a postgraduate degree in environmental technology with expertise in integrating financial and sustainability data. "We help our clients understand the risks and opportunities that may have an impact on long-term performance, including those presented by ESG issues. And personally, I'm glad to play a part in using the power of business and finance to bring about change for the better." 🌱

Access to Banking and Financial Inclusion

Access to financial products and services can improve people’s lives by providing opportunities to reduce poverty and generate economic prosperity. As a large financial institution, we consider making banking accessible and affordable for all individuals, businesses and communities – including those that are underserved – to be both a social imperative and a sound business objective. Our strategies address both of these considerations.

Definition: Meeting the needs of underserved and low-income communities and creating specialized products and services to make our offerings more accessible to specific target groups.

OUR APPROACH

Our approach to meeting the financial needs of underserved communities starts with building strong relationships that give us a clear understanding of each community’s priorities and how we can help. From there, we tailor policies and programs to address those priorities. For example, we developed commercial lending guidelines and several housing policies, one of which is part of our On-Reserve Housing Loan Program, to support employees who are responding to lending requests from Aboriginal communities. In addition to our BMO NewStart® Program for people new to

Canada, we introduced a special process for refugees who want to open an account with us, but don’t have all the identification that is normally required.

To make our offerings more accessible for people living with disabilities, BMO forms strategic partnerships with non-profit organizations in order to provide products and services that address specific customer needs. We also offer alternative ways to access our services. For example, branch ATMs in Canada have been upgraded with Braille and audio functionality, and are now installed at a standardized accessible height. “Accessibility and our Customers” is also part of our annual ethics, legal and compliance training for all employees.

We measure our success by the amount of business we engage in with each of these communities (in particular, Aboriginal peoples, people with disabilities, women business owners, students, seniors, military personnel and small businesses), the amount of community reinvestment funding committed in the United States, external recognition, and feedback from the communities themselves. Our approach to each community is reviewed and refined through regular business planning processes. In 2017, acting in response to feedback from small business owners, we launched the eBusiness Plan, which lets them conduct electronic transactions with no monthly fees (see Support for Small Business on page 28).



Organizational Responsibility

Responsibility for administering our programs for underserved communities is delegated to product groups within the various lines of business. For example, business with Aboriginal communities is primarily managed by the Aboriginal Banking unit, a line of business within our Canadian Personal and Commercial Banking operating group.

HIGHLIGHTS

Aboriginal Communities

BMO has consistently received gold-level certification in the Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business. Our strategy and programs are aligned with the four PAR pillars: employment, business with Aboriginals, procurement and community investment.

Our Aboriginal Banking unit, which celebrated 25 years of operation in 2017, takes the lead in most of our efforts. The unit works with partners across the organization to address the personal

banking needs of Aboriginal communities, provide financial advice to on-reserve businesses, partner with communities in their economic development initiatives and offer customized trust and investment management solutions. These efforts have led to the opening of 14 BMO branches on or near Aboriginal reserve lands in Canada and 102 First Nations[▲] participating in the On-Reserve Housing Loan Program, which provides financing without the need for government guarantees. Under this program, BMO has made approximately \$226 million available in loans.

In previous disclosures we reported an assured indicator for business with Aboriginal customers. In 2016 we encountered unanticipated issues during a system conversion which prevented management from reporting this indicator in 2016 and 2017. We’re employing our best efforts to resolve these issues and report this metric in next year’s report.



BMO received the 2017 Gender Equality Award from the Global Compact Network Canada

In 2017, we financed the construction of a hotel on Vancouver Island that is owned and operated by Gwa'sala-'Nakwaxda'xw Nation. By participating in this project, BMO is supporting the community as it takes steps to secure its economic self-sufficiency and preserve its cultural heritage. First Nations accents and art animate the hotel, telling the stories of the Gwa'sala-'Nakwaxda'xw people.

Options for People with Disabilities

Our long-standing partnership with Planned Lifetime Advocacy Network (PLAN) is focused on increasing awareness about Registered Disability Savings Plans (RDSPs). RDSPs are registered matched savings plans intended for people living with disabilities. Together with PLAN, we've helped 18 individuals enrol in RDSPs, and we've delivered 25 educational seminars across Canada, reaching close to 425 people. We collaborate with PLAN to develop tools for the RDSP.com website and distribute PLAN educational materials.

Support for Customers Facing Financial Hardship
We offer Skip a Payment, Family Care and Take a Break arrangements for loans and mortgages to customers who are facing financial hardship. If a payment is missed without one of these arrangements in place, a variety of collection solutions are available. For example, Hardship Assistance for credit card holders applies an interest rate of between 0% and 5% to the outstanding balance, which is extended over a maximum term of 60 months.

In 2017, flooding and wildfires created financial stress for many of our customers in some Canadian provinces, including a number of our employees. In keeping with our commitment to stand by our customers through both good and challenging times, we offered financial guidance to those customers, along with options such as a disaster relief program, which allows for the deferral of a number of payments, depending on the situation.



Gender Equality and the Advancement of Women
At BMO, we recognize that the power of women is an economic force. We have made a priority of understanding women's unique financial needs and developing tools and resources that can help women investors and business owners succeed. Again in 2017, BMO partnered with Carleton University and The Beacon Agency to conduct a study that focused on women entrepreneurs and innovation with a sub-study on how indigenous women entrepreneurs innovate. The study will be released in early 2018.

BMO engages with a variety of stakeholders to consider product and service solutions that will address wealth planning and the needs of women business owners. For example, we partnered with an expert in the psychology of wealth to deliver training for our customer-facing employees on the nuanced distinctions that women look for in financial services relationships.

BMO received the 2017 Gender Equality Award from the Global Compact Network Canada, in recognition of our industry-leading products and business practices that support and empower women, as well as our work in advancing the UN's seven Women's Empowerment Principles – specifically Principle 5, which refers to implementing enterprise development, supply chain and marketing practices that empower women.

Other BMO initiatives include:

- BMO Women in Leadership Fund, which was launched in 2016, is the first impact investing mutual fund focused on gender diversity to be offered by a Canadian bank. The Fund invests in North American companies that have a female CEO or in which women represent at least 25% of the members of the board of directors.
- BMO for Women supports and connects women business owners through a variety of workshops on topics such as entrepreneurship and goal planning.
- We support mentorship and networking opportunities for women as a partner with organizations such as Women Presidents' Organization, and as a founding sponsor of GroYourBiz and SheEO. We're also a member of WBE Canada (Women Business Enterprise Canada) and WBENC (Women's Business Enterprise National Council). We have implemented a number of practices intended to ensure an inclusive procurement process including the launch in 2017 of BMO's first public [Supplier Diversity Commitment Statement](#).



BMO was the recipient of WBE Canada's 2017 Corporate Member of the Year Award. The award recognized our leadership in driving supplier diversity in Canada and developing robust supplier diversity programs, including initiatives that are specifically addressed to women-owned businesses.

Support for Small Business

As part of our strategy of redefining the experience of digital banking and addressing the needs of small businesses, we launched the eBusiness plan, which offers unlimited electronic transactions and no monthly fees. This best-in-class plan is designed for small business clients who have straightforward banking needs, enjoy self-serve features and want a plan that doesn't require a minimum balance. We also issued a series of videos that delivered relevant economic updates from BMO's Chief Economist.

Free or Discounted Services

We offer a number of free or discounted services to seniors, students, non-profit organizations and members of the Canadian defence community. In 2017, we enhanced our Canadian Defence Community Banking Program to better serve the banking needs of personnel currently serving in the armed forces, reserves, recruits, military families, veterans and retirees, as well as civilian employees in the Department of National Defence and the RCMP. The new benefits include free banking with our Performance Plan, free unlimited Interac e-transfer transactions, BMO employee pricing on a range of mortgage options, and the BMO Support Our Troops Mastercard^{®††} with no annual fee.

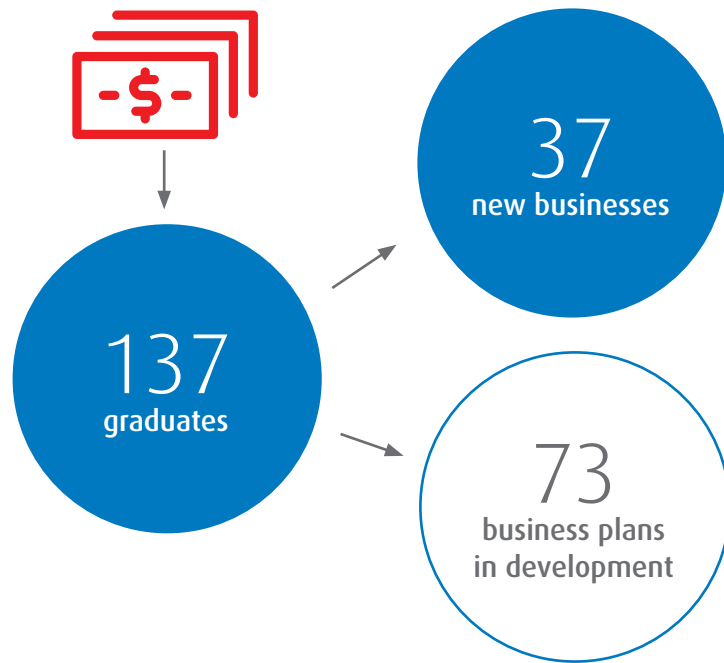
INVESTMENT WEEK
SUSTAINABLE INVESTMENT AWARDS 2017

WINNER
Best Sustainable Investment Fund

The F&C Responsible Global Equity Fund named Best Sustainable Investment Fund at the Investment Week Sustainable Investment Awards 2017

\$1.5 million to support Canadian Aboriginal entrepreneurs

Our commitment to the Northwest Aboriginal Canadian Entrepreneurs Program at the University of Victoria offers Indigenous students six months of on-site interactive business skills development. To date, the program has generated:



# of recipients	2017	2016	2015
Canada			
Seniors	1,108,147	1,111,704	1,073,864
University and high school students ¹	345,156	373,601	480,889
Local and non-profit organizations ²	49,143	51,214	53,573
United States			
College students ³	57,460	69,176	72,531
Under 25 ⁴	10,001		
Non-profit organizations ⁵	20,934	20,640	20,320

1 Students (19 years of age and older) and teens (between 13 and 18 years of age)
 2 Discounted banking services
 3 Fee waiver that remains in effect for four years (maintenance and ATM transaction fees)
 4 Fee waiver for customers under the age of 25 (monthly maintenance fee and paper statement fee)
 5 Chequing accounts with no monthly maintenance fee



During World War I, Bank of Montreal set up temporary branches at encampments across Canada to pay the troops, while Canadians serving overseas were paid through our Waterloo Place office in London, England.

US\$ 2.4B

of assets held in the BMO Global Asset Management portfolio of Responsible Funds, as at 30 September 2017

Community Development Loans

BMO Harris Bank is committed to making community development financing available in the communities in which we operate, and provided US\$552 million in community development loans in 2017 through our community reinvestment activities. These loans supported the construction and sustainability of affordable housing; provided revitalization and stabilization in low- and moderate- income neighbourhoods; promoted job creation through economic development; and funded non-profit organizations that provide community services for those in need. Here are some examples of our community development loans:

- **27th and Gillham, LLC** in Kansas City, Missouri, received a loan to finance the development and construction of affordable housing and the revitalization/stabilization of a moderate-income census tract in the historic Union Hill neighbourhood. The loan will provide financing for a 361-unit apartment project, retail space and a parking garage. Rents for approximately 60% of the units are lower than the affordable rent limit established for the Kansas City market.

- **Chicago Housing Authority (CHA)** received a revolving line of credit to provide this municipal not-for-profit corporation with financing flexibility for capital projects, real estate purchase opportunities and general corporate purposes. Established in 1937, CHA now has almost 9,400 apartments designated for seniors and 11,500 units of family housing. CHA is the largest owner of rental housing properties in Chicago and the third-largest public housing authority in the United States, providing homes for more than 50,000 families and individuals while supporting healthy communities in neighbourhoods across the city.

- **Human Resources Development Institute (HRDI)** in Chicago received a revolving line of credit that provides short-term working capital and better access to grants and other public funds. HRDI offers residential and outpatient services for alcohol and substance abuse prevention and treatment, as well as programs that support mental health, family services, community health, case management, HIV/AIDS prevention and education, corrective services, and gambling prevention and education. According to HRDI, 98% of the individuals it serves have incomes at or below the federal poverty level.

Responsible Investing

Around the world, there’s a growing recognition of the critical role investors can play, along with policy-makers and businesses, in meeting today’s challenges to ethics and sustainability. Our customers and regulators, as well as the wider civil society, all expect us to take a responsible approach. Considering ESG factors in our investment decisions and ownership activities not only supports the long-term financial performance our clients seek, it is one of the ways that we can – and should – promote positive change across a range of issues.

Definition: Integrating environmental and social impact and governance considerations into decision-making around investments and asset management.

OUR APPROACH

We have a history of responsible investment that dates back to the launch of Europe’s first ethical fund, Stewardship, in 1984. BMO Global Asset Management today is committed to taking a responsible approach, which can vary across the business for its different asset classes and investment processes. The approach includes an analysis of material ESG factors relevant to investment, specialist ESG solutions such as our portfolio of Responsible Funds, and an engagement and proxy voting service, *reo*.

US\$ 154B

reo assets as at 30 September 2017

We are a founding signatory¹ to the United Nations Principles for Responsible Investment (UNPRI). We have adopted the UK Stewardship Code, and we are a member of numerous networks, including the Institutional Investors Group on Climate Change, the UK Sustainable Investment and Finance Association, Canada’s Responsible Investment Association, the Asian Corporate Governance Association and the Council of Institutional Investors.

We have an extensive program of investor engagement focused on encouraging investee companies to adopt best practices in areas such as business ethics, corporate governance, environmental standards and human rights. Success in this program is measured by milestones – instances of change in the way these companies address ESG issues after we engage with them. Recent examples, along with follow-up actions and opinions, are described in the BMO Global Asset Management Responsible Investment Review 2017. Also included in that report are updates on our involvement in other key areas of responsible investing, such as public policy engagement, proxy voting and corporate governance activities.

Responsible Funds philosophy

- Invest in companies that make a positive contribution to society and the environment
- Avoid companies with damaging or unsustainable business practices
- Use our influence as an investor to encourage the adoption of leading ESG management practices through engagement and proxy voting

¹ F&C Investments, now a part of BMO Global Asset Management, was a founding signatory.

In addition to tracking individual engagements and milestones, we look at the growth in assets held in our specialist ESG offerings, including *reo* and Responsible Funds, as measures of our effectiveness. We are constantly refining our approach to address evolving trends, regulatory requirements, industry best practices and business opportunities. The launch of the UN’s Sustainable Development Goals (SDGs) provides an example. Soon after the launch, we undertook an initiative to identify connections between the SDGs, our engagement program and our portfolio of Responsible Funds, the outputs of which we have published in our annual Responsible Investment Review and ESG Profile and Impact Reports for two of our funds.

Organizational Responsibility

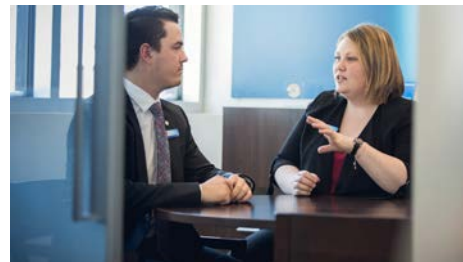
Reporting to the Chief Investment Officer of BMO Global Asset Management in the Europe, Middle East and Asia (EMEA) region, the 13-member London-based Governance and Sustainable Investment (GSI) team in the United Kingdom coordinates and supports ESG activities across BMO Global Asset Management. This includes providing data and analysis for fund managers, as well as criteria and screening for assets held by the Responsible Funds. The team also leads engagement and proxy voting activities for BMO Global Asset Management (EMEA).

Related BMO policies, statements and reports

- [Global Responsible Investing Statement](#)
- [UNPRI Summary Assessment](#)

HIGHLIGHTS

- The new climate change policy for the BMO Global Asset Management portfolio of Responsible Funds outlines how these funds can respond to climate change and support the transition to a lower-carbon economy. Developed in consultation with our independent external Responsible Investment Advisory Council, the policy sets out an approach that combines divestment of companies with fossil fuel reserves, investments in companies providing clean energy solutions, and disclosure of the funds’ effective carbon footprint.



- We made our award-winning Responsible Global Equity Strategy available to Canadian institutional investors in the form of a new Canadian pooled fund: BMO AM Responsible Global Equity Fund. The fund focuses on investing in companies with business strategies that fit into sustainability themes including healthcare, resource efficiency and energy transition.
- We published the second versions of our ESG Profile and Impact Reports for both our Responsible Global and Responsible Emerging Markets strategies, which map the performance and results of the individual companies in the portfolio against the SDGs.

- We created dedicated green bond mandates for European clients, with invested and committed capital of US\$290 million. Green bonds are evolving quickly, and relevant market-wide standards are still being developed. BMO has implemented in-house analysis and screening for these bonds, which involves looking at both the issuer and the specific issuance to determine whether they meet our own criteria and standards. We also engage directly with issuers and encourage them to adopt high standards of governance and disclosure. In total, we held discussions with more than 70 issuers over the past two years.
- We contributed to a fairer and more effective economic and financial system by engaging with policymakers to encourage improved regulation of environmental, social and governance issues. 2017 examples include:
 - Joint investor letter to the U.S. Securities and Exchange Commission supporting the continuation of current policies on transparency around conflict minerals
 - Letter from global investors to governments of the G7 and G20 reiterating support for implementing the Paris climate agreement
 - Became a signatory to the Workforce Disclosure Initiative (WDI), an effort that brings institutional investors together to secure comparable workforce reporting from listed companies on an annual basis.

- Introduced in 2016, the BMO Fossil Fuel Free Fund aims to provide the long-term growth capital by investing in a globally diversified portfolio of equity securities that excludes companies primarily involved in extracting and refining fossil fuels and maintaining the infrastructure for their distribution.
- BMO Capital Markets launched a second principal-protected note linked to an ESG-themed index across our BMO branch network. The new BMO Fossil Fuel Free ESG index excludes equity and debt securities issued by fossil fuel companies. At maturity, investors receive the amount of their original deposit plus a variable amount that reflects the return on the equity and debt securities included in the index over the term of the note.

Active, engaged, responsible

1,363
Engaged with 1,363 companies

80
board-level meetings with companies

12
Travelled to 12 countries to engage with local companies

234
Influenced change in the outcomes of 234 engagements

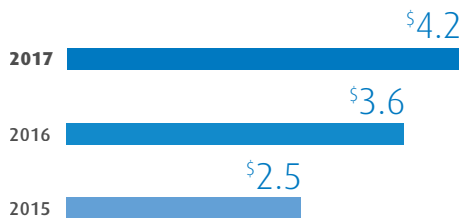
Global Responsible Investing Statement: <https://www.bmo.com/gam/about-us/g/overview/ri-esg-policy-statement>
 UNPRI Summary Statement: https://www.bmo.com/gam/pdf/Responsible_Investing_Policy_and_Assessment_Report.pdf

Responsible Lending

Through our lending practices, we can encourage borrowers to make socially responsible choices in their operations. The overall impact of a financial institution of our size can be significant. This is an important issue for BMO, especially as we consider how we can best support the transition to a lower-carbon economy while supporting our clients in and acknowledging the ongoing importance of Canada's energy sector.

Definition: Integrating environmental and social impact and governance considerations into decision-making and activities relating to financing and lending.

Renewable Energy Loan Commitments (\$ billions)



OUR APPROACH

We use sound risk management practices to manage the environmental and social impacts of our financing and lending activities.

As part of our enterprise risk and credit risk management frameworks, we evaluate the environmental and social risks related to our clients. We have internal policies for our Commercial Banking and Capital Markets businesses and financing guidelines that provide guidance on how to identify, manage and mitigate environmental and social risks in financing transactions. The lines of business (LOB) perform due diligence (assess and screen for environmental and social risks) and as part of the approval process the transaction application includes LOB findings. A higher level of environmental due diligence is applied in our assessments of clients active in environmentally sensitive industries. In evaluating social risks, we look at how well a client manages regulatory and other issues related to stakeholder engagement and Aboriginal/Indigenous consultation.

We avoid dealing with borrowers with poor environmental and social risk management track records. We will not extend loans for the international transfer of equipment for military or internal security purposes, and we will not finance companies that manufacture weapons banned by international arms control treaties to which Canada or the United States are signatories.

BMO is a signatory to the Equator Principles, a credit risk management framework for identifying, assessing and managing environmental and social risk in project finance transactions. We also apply the World Bank/International Finance Corporation environmental and social screening and assessment process to categorize and assess projects based on the magnitude of their potential impacts and risks.

We are a member of the United Nations Environment Programme – Finance Initiative, the United Nations Global Compact Network Canada and the Carbon Pricing Leadership Coalition, all of which share information about emerging issues with us. Our membership enables us to participate in discussions of national and global priorities and align our approach to these priorities effectively over time. We also constantly monitor and evaluate changes in policies and legislation in the jurisdictions where we operate.

Given the growing concerns about climate change and the current focus on the amount of environmentally sensitive lending provided by financial institutions, we're assessing how best to expand our climate-related disclosure. The Financial Stability Board's Task Force on Climate-related Financial Disclosures has highlighted the importance of expanding disclosure in this area. In this ESG Report, we've included a chart that shows our lending in the Natural Resources sector, as an example of our involvement in environmentally sensitive industries. See page 32.

We support the energy sector as we recognize that it plays an important role in our economies. We are involved in all aspects of the energy sector, and we take a balanced approach to driving the transition toward a lower-carbon economy. We are always evolving in order to address our customers' needs, but at the same time we are implementing robust environmental and social due diligence practices.

Renewable Energy Financing

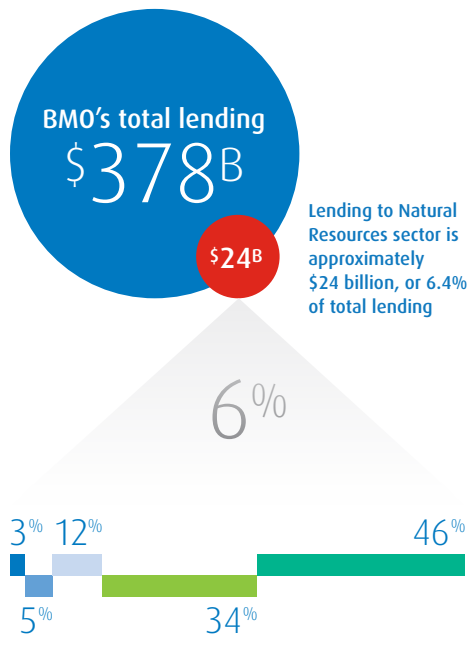
We support the conventional fossil fuel industry and the renewable energy industry, both of which are undergoing a transitional period as renewable energy generation becomes increasingly cost-competitive. The Power and Energy Infrastructure team at BMO Capital Markets is deeply knowledgeable about the North American renewable energy sector. Members of the team act as advisors on mergers and acquisitions, lead equity and debt financing transactions, and provide capital for project finance and other corporate facilities to companies that are active in the renewable energy markets.

Organizational Responsibility

Responsibility is delegated within the individual lines of business. For example, in BMO Capital Markets, a Managing Director in the Investment and Corporate Banking Group is responsible for the renewable energy financing described in the ESG Report.

In 2017, BMO Capital Markets participated in \$6.4 billion³ of renewable energy equity and debt financing and provided \$4.2 billion of loan commitments to renewable entities and renewable projects. Here are some examples of renewable energy financing transactions we were involved in this year:

LENDING TO NATURAL RESOURCES SECTOR¹



Sector	%	(\$ millions)
Forest products	3	835
Mining	5	1,344
Utilities ²	12	2,890
Oil and gas	34	8,166
Agriculture	46	11,114

- H2O Power** – Acted as joint bookrunner on H2O Power’s \$400 million private placement of senior secured bonds due in 2029. H2O Power, an owner and operator of hydroelectric generating stations in Canada and the United States, is jointly owned by PSP Investments, one of Canada’s largest pension asset managers, and BluEarth Renewables, a Canadian independent renewable energy producer that develops, builds, owns and operates wind, run-of-river hydroelectric and solar generation projects across North America.

- Safe Harbor Hydro Project** – Acted as joint bookrunner on a US\$500 million private placement of senior secured notes. Safe Harbor is a 417-MW hydroelectric power generation facility on the Susquehanna River in Pennsylvania that is owned by Brookfield Renewable Partners. The facility sells energy and related services into the Pennsylvania-New Jersey-Maryland Interconnection market, the world’s largest wholesale electricity market.

- North Kent Wind 1 LP** – Acted as mandated lead arranger, administrative agent and collateral agent on a \$264 million project financing for Pattern Energy and Samsung Renewable Energy’s North Kent Wind project in Chatham-Kent, Ontario. The 100-MW onshore wind project uses Ontario-made blades and towers to generate clean renewable energy for approximately 35,000 homes each year.

EQUATOR PRINCIPLES REPORTING (FISCAL 2017)

BMO closed 5 project finance transactions in fiscal 2017. The breakdown under Equator Principles III is as follows:

Sector	Category A	Category B	Category C
Mining	0	0	0
Infrastructure	0	0	0
Oil and Gas	0	0	0
Power	0	4	0
Other	1	0	0

Region	Category A	Category B	Category C
Americas	1	4	0
Europe, Middle East and Africa	0	0	0
Asia Pacific	0	0	0

Country Designation	Category A	Category B	Category C
Designated	1	4	0
Non-Designated	0	0	0

Independent Review	Category A	Category B	Category C
Yes	1	4	0
No	0	0	0

1 See Table 9 in BMO’s 2017 Annual Report on page 129.

2 For simplicity, utilities in this diagram include lending to renewable entities that have a positive impact on the environment.

3 The increase in renewable energy equity and debt financing was largely attributable to the overall increased capital raising activity across the broader sector.



Inspiring Our People

We understand that enabling our employees to reach their full potential and develop a sense of pride will also help us meet our strategic priorities and achieve our financial goals. We welcome and support individuals from diverse backgrounds, perspectives and communities, we invest in our people's success, and we recognize the important role they play – every day.



Winner of 2017 Catalyst Award

40%[▲]

women in senior leader roles in Canada and the United States

83%[▲]

employee engagement index (EEI) score, our highest ever



Alignment with SDGs



Material Topics in this Section

- Talent attraction and retention
- Employee engagement
- Learning and development
- Diversity and inclusion

Mark Stafford, BMO

In the Sharing Circle, BMO's Indigenous employees find supportive colleagues and a common voice – while strengthening ties with the fastest-growing segment of Canada's population.



Mark Stafford, Eastern Canada
Co-Chair, Sharing Circle

Growing the Circle

“It’s so important that our bank represents all the people who do business with us across Canada,” says Mark Stafford. “Diversity increases our understanding of our customers’ needs. Representation matters to our success.”

In two decades at BMO, Mark has progressed steadily to his current role heading up the bank’s creditor insurance business. He’s earned an MBA and other credentials along the way, but his career path is anchored by a more fundamental aspect of his identity: he is Métis, of Cree descent, with a grandmother who was an elder and a large family that proudly celebrates its Indigenous heritage. He’s also the Eastern Canada co-chair of a group within BMO called Sharing Circle, which brings together BMO employees of all backgrounds to support one another and better understand the challenges and opportunities that matter to First Nations, Inuit and Métis peoples.

“When I was in business banking, I worked with many First Nations,” Mark recalls, “and I often saw communities in need. I wanted to do more to help.” He also saw that many of his co-workers hesitated to acknowledge their background for fear of being stereotyped or discriminated against. In late 2015, Sharing Circle was formed under the leadership of Mike Bonner, Senior Vice-President, BC & Yukon Division, Paul Seipp, Regional

Vice-President, Business Banking, and Mark. The group has a national perspective, along with members across Canada who are passionate and engaged in creating a supportive and inclusive workplace for Indigenous people. Sharing Circle has grown quickly, reaching more than 500 members this year.

“It’s grown quickly because our leadership committee has worked so hard at increasing awareness,” says Danny Menard, Vice-President, Business and Agriculture Banking in Alberta, who is also Métis. “In my 12 years at BMO, I’ve always been involved with efforts to attract more Indigenous employees and help them integrate into the bank. It can be scary joining a new organization. In the past, many Indigenous employees felt lost and soon left. They need to feel supported – and Sharing Circle does that.”

THE DIVERSITY ADVANTAGE

Sharing Circle is one of 13 Enterprise Resource Groups (ERGs) across the bank that help to foster an inclusive workplace aligned with BMO’s vision and values. Empowering more than 4,000 people, ERGs support the recruitment, engagement and retention of employees from a variety of self-identifying communities. They also turn diversity into a strategic advantage, extending networks beyond the bank that facilitate client relationships, marketing initiatives and community building.

“In the case of Indigenous people, we need to understand Canada’s fastest-growing population group if we want them as customers,” says Mark Stafford. “At the same time, if we provide a culture in which employees are comfortable being who they are, they’ll want to stay.”

In 2017, Indigenous employees represented 1.2%▲ of BMO’s total workforce in Canada, a number that’s held steady since 2012 as recruitment gains have been offset by retention challenges. The goal now is to increase Indigenous representation to 2% by 2020, as part of a broader five-year diversity renewal initiative aimed at ensuring all employees, customers and communities feel respected and valued. It’s estimated that up to 20% of diversity recruitment – about 500 new hires annually – is driven by ERGs.

“I love the culture here,” says Stephanie Morsette, Relationship Manager, Business Banking in Vancouver, who came to BMO two years ago from another bank, and who identifies as Métis. “Watching the Sharing Circle grow has been so inspiring. I can see how passionate everyone is about the group’s success. It makes me feel valued, and that I’m making a contribution to the community.”👏

53%

of open positions filled by internal candidates

Talent Attraction and Retention

Building a pipeline of future talent is not only good for business but also for the communities we serve. We attract, hire and advance individuals who, in addition to having an exceptional skill set, share our values and customer-focused vision, and reflect the diversity of our customers and company. We know that having the right people in the right roles, working together toward common goals, creates competitive advantage, which in turn leads to better business results.

Definition: Having the right talent everywhere in the organization, by attracting and inspiring talented people, offering competitive pay and benefits, and meeting BMO's succession planning needs.

OUR APPROACH

Since we hire nearly 7,000 new employees every year, we have established robust processes for recruiting, assessing, hiring and onboarding the talented individuals we need in order to meet our strategic objectives.

To help establish BMO as a leader in talent acquisition, we treat candidates for employment much like we treat our customers, and we have processes in place for new employees that are designed to create great experiences for them.

We have consistently applied behavioural interviewing and online assessment tools for select roles. Candidates are assessed on cultural fit in alignment with our Being BMO model that outlines our core values and behaviours in how we interact with our customers and each other.

In line with our Vision 2020 diversity goals, our key talent acquisition priorities are to:

- Plan and attract – use workforce plans and analytics to drive decisions
- Find and engage – source key talent faster
- Apply and assess – drive robust talent segment strategies
- Hire and onboard – create an exceptional onboarding experience



New hires complete orientation that provides grounding in our strategy, culture and values. It reinforces the importance of ethical behaviour, ensures they read and understand our Code of Conduct, and introduces them to Being BMO. In addition, each operating business and function has group level orientation with role based training so they are productive right away.

Competitive compensation, career development and compelling work in a team based environment are key aspects of talent retention. BMO's learning and development programs are described on page 38.

Our compensation programs link pay to business results and individual performance. Base pay is reviewed annually focussing on performance, demonstrated knowledge, skills and adaptability. We also have a performance-based incentive program and, where permitted by law, a share ownership program that's offered to all employees. Other reward and recognition programs include:

- Benefits available to all employees, retirees and their dependants, subject to eligibility requirements, including: health insurance; health spending accounts; income protection; retirement plans; tuition assistance; volunteer grants; and a matching charitable giving program.

94%

satisfaction rating among new hires surveyed about their recruitment experience, up from 86% in 2016

- Programs to help employees balance the demands of personal life and work, including LifeWorks, BMO's employee assistance program.
- Quarterly and annual awards celebrating exemplary conduct and achievements that support our vision and values, and BMO beam, an enterprise-wide social recognition program.
- Career milestone celebrations after the first, third and fifth year of service, and then after every five years of service.

We use a variety of metrics to assess our effectiveness in attracting and retaining talent – including voluntary turnover rates, the percentage of open positions filled by internal candidates, the time it takes to fill key roles and the results of new hire surveys – and we refine our approach as needed. Among the changes we made in 2017 was a new careers website (see details below). Our CEO and senior executives assess workforce health (including voluntary turnover rates) on a quarterly basis as part of their regular business performance reviews, while our Board of Directors look at the health of our talent annually.

BMO's Chief Human Resources Officer (CHRO) has overall responsibility for our performance in attracting and retaining talented individuals. Reporting to the CHRO, various senior leaders have responsibility for talent planning and acquisition; performance and rewards; talent and learning; and diversity and inclusion.

HIGHLIGHTS

- Our new careers website was co-created with employees who shared their thoughts about why BMO is a great place to work. The application process is six times faster than it was previously, and potential candidates can now stay in contact with us to receive updates on positions and events that match their interests. In the first three months after its February 2017 launch, close to 131,000 individuals visited the new website. An average of 800 people join our online talent community every month.



Received the TalentEgg National Excellence Award for social responsibility in recruiting

- With close to 450 interns, the BMO Student Internship Program grew by 36% between 2016 and 2017. We also exceeded our diversity goals by attracting 22 students with disabilities and 12 interns from Indigenous communities, and by raising the representation of women from 31% to 40% year-over-year. Providing integrated work and learning experiences to students supports our community and creates a strong workforce for the future.

- To ensure continued adaptability, we piloted an online interview tool to identify and evaluate candidates with future-focused capabilities. The tool is effective in assessing potential employees at all levels of our organization. It has been successfully applied in recruiting candidates on campus for positions in Capital Markets, as well as in hiring to fill specialist technology roles.



- By building a strong talent pipeline and applying analytics to forecast candidates' future success, our talent acquisition strategy advisors filled 23 key digital roles (e.g., Visual Designers, Mobile Developers) in 74 days, compared to an industry average of 90 days.
- To enhance our employee onboarding experience we built a team of dedicated individuals to manage BMO's enterprise onboarding program.
- To cap off the year-long celebration of our bicentennial, and to pay tribute to Bill Downe's 10 years as CEO, we created the BMO200 William A. Downe Scholarship Program. Starting in 2018 and for the next 10 years, BMO will provide a scholarship of \$10,000 to 10 individuals applying for their entry year in any higher education program including universities, colleges and CEGEPs. The scholarship is open to all BMO Financial Group employees'

children and legal wards across all businesses and geographies around the world.

VOLUNTARY TURNOVER RATE (%)

Canada	Male	Female	Total▲
2017	10.8	10.2	10.4
2016	10.5	10.0	10.2
2015	9.8	9.8	9.8

United States	Male	Female	Total▲
2017	14.0	14.3	14.2
2016	14.2	15.0	14.7
2015	14.5	14.9	14.7



Named one of the 2017 Best Workplaces in Canada by the Great Place to Work Institute Canada

Learn more about our talent practices

- [BMO website – BMO's Talent strategy](#)
- [BMO website – Careers](#)
- [BMO website – Diversity and inclusion](#)
- [BMO website – Work and life effectiveness](#)

Related BMO policies and statements

- [BMO's Code of Conduct](#)
- [Statement on Human Rights](#)
- [Statement on Freedom of Association and Collective Bargaining](#)
- [Statement on Health and Wellbeing](#)

BMO website – BMO's Talent strategy: <https://www.bmo.com/home/about/banking/corporate-responsibility/employees/investing-people>
BMO website – Careers: <https://bmo.careers.com/>
BMO website – Diversity and inclusion: <https://www.bmo.com/home/about/banking/corporate-responsibility/employees/diversity-equity-inclusion>
BMO website – Work and life effectiveness: <https://www.bmo.com/home/about/banking/corporate-responsibility/employees/work-life-effectiveness>
BMO's Code of Conduct: https://www.bmo.com/pdf/code-of-conduct/BMO_Code_of_Conduct_EN.pdf
Statement on Human Rights: <https://www.bmo.com/cr/files/BMOHumanRightsApril2017.pdf>
Statement on Freedom of Association and Collective Bargaining: <https://www.bmo.com/cr/images/BMOFreedomofAssociationandCollectiveBargainingMarch2016.pdf>
Statement on Health and Wellbeing: <https://www.bmo.com/cr/images/BMOHealthandWellbeingMarch2016.pdf>

Employee Engagement

A high level of employee engagement drives innovation and productivity across all of our lines of business, and is key to delivering great customer experiences. To help drive engagement, we make the same promise to our employees that we do to our customers: “We’re here to help.”

Definition: Creating an environment where employees are active partners in achieving the company’s vision and values, and provide insights that are integrated into corporate decision-making.

OUR APPROACH

Our values serve as the foundation for our approach to building employee engagement. By putting others first and encouraging respectful, productive dialogue, learning from each other’s differences, and focusing on working together to do what’s right for our customers, we foster a work environment in which people can be heard – and can contribute meaningfully to our success.

We have a number of mechanisms in place for dialogue, learning, career development and community involvement. BMO On-the-Go is a smartphone app that employees can download and use to keep up with what’s

happening at BMO and be effective brand advocates. BMO Next is a company-wide digital space that includes videos, images, polls and an interactive discussion board where leaders share their insights and engage employees in conversations about how we’re building toward tomorrow. The Meeting Point is an online forum where senior leaders post stories related to BMO’s strategic priorities and values.

BMOPulse, our annual enterprise-wide engagement survey, gives employees an opportunity to speak candidly about important issues, such as our strategy and customer vision, as well as the BMO employee experience. We use the results to track year-over-year changes in engagement levels and to compare ourselves to other leading companies. The results also help us identify the most effective levers to foster a highly engaged and high-performing culture, and take action on topics that matter most to our employees. Managers receive customized reports for each of their teams, so they can create targeted follow-up action plans. Each year, we conduct a post-implementation review to evaluate the survey program, and we make necessary changes. In 2017, this included streamlining survey reports to provide faster, more actionable insights to our leaders.

Should they have individual workplace issues or concerns, our employees are encouraged to speak to their managers. They also have the option of raising concerns to our Human Resources Centre, our Employee Relations department or BMO’s Ombudsman. See Business Conduct on page 16 to learn more.



HIGHLIGHTS

- We achieved our highest-ever engagement score of 83%▲ in the 2017 BMOPulse survey. This is on par with leading companies, and is 3% higher than our score in 2016. In their responses, employees told us they feel more positive about BMO leadership and have greater confidence in our direction and future. They also said we need to do better at equipping them with the technological tools that will help them work more efficiently.

- We launched #lifeatBMO, which is our employee promise rooted in 3 pillars: to be heard, valued and respected, to keep growing with opportunities at BMO, and to make tomorrow better by making a difference at BMO. It was developed with input from employee research on what matters to the next generation.
- We launched #Empathy, a series of “nudges” to help us get to know one another better. A question is posed every three months on the BMO intranet at Humans of BMO, and employees are invited to share their stories. We also started to compile a values playbook by asking employees one question for each of our four core values, which they can answer Twitter-style (i.e., in 140 characters) or with a photo or a video clip.
- BMO partnered with the Rotman School of Management at the University of Toronto on a research study that explores the relationship between the strength of our informal internal networks and our ability to make and implement good decisions. The study, which will involve more than 20,000 BMO employees, is the first of its kind and is expected to provide important insights into best-in-class managerial practices.

BMOPULSE ENGAGEMENT SURVEY

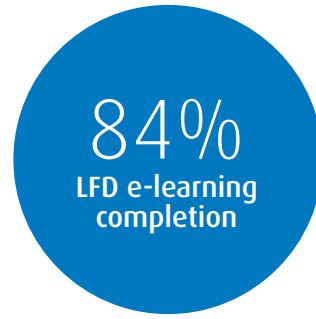
	2017▲	2016	2015	2014	2013
Annual employee survey participation rate (%)	90	90	88	86	82
Employee engagement index (EEI)	83	80	81	80	78

Key Outcomes

BMOPulse Bright Spots

In our 2017 survey, more of our employees indicated that they:

- Feel proud to work for BMO (85%, up 3% year-over-year)
- Would advocate for our products and services (83%, up 2% year-over-year)
- Would recommend BMO as a place to work (80%, up 4% year-over-year)
- 85% feel their workgroup has a climate in which diverse perspectives are valued



We achieved 84% manager completion of the Learn from Difference e-Learning in the first year. This corresponded with an increase in BMOPulse measures on inclusion and employee voice.



We've made a deliberate shift from focusing on careers at a specific time of the year to a Growing Your Career engagement initiative that spanned the full year.

2017 BMOPulse Indicators

Inclusion



Inclusion: The extent to which employees feel valued, respected and heard

Opportunities to learn and grow



Opportunities to learn and grow: The extent to which employees feel they can develop and build skills and capabilities

Employee voice



Employee voice: The extent to which employees feel they can speak up and be candid

Career goals can be met



Career goals can be met: The extent to which employees feel they can achieve a career that is meaningful to them at BMO

Learning and Development

Our employees tell us that ongoing learning and professional development is a top priority for them and we understand that offering opportunities to move forward in their careers is essential to a high performing workforce.

As a business, we benefit from having employees who are passionate about improving their abilities, acquiring new skills and taking on more complex challenges and roles – and we make every effort to meet their needs.

We are working hard to create a culture of continuous learning across the company that supports employees as they learn and grow in the ways that matter most to them.

Definition: Providing employees with professional growth and training opportunities to help them achieve their personal and professional goals.

OUR APPROACH

BMO's Institute for Learning (IFL), our corporate university, was one of the first of its kind in Canada. It is a place where we hold special events and where most of our learning and development programs are designed, developed and delivered. We offer custom programs tailored to the strategies, needs and culture of our organization, along with targeted off-the-shelf content that builds and broadens employees' skill sets. Our priority is to advance performance and build capabilities that meet the needs of the business today, and for the future.

23.7 hours[▲]

of training per full-time equivalent (FTE) employee

Developing leaders for today and for the future is also a top priority. The BMO Leadership Curriculum consists of research-based, custom-designed programs that incorporate formal, informal and experiential opportunities for BMO leaders at various points in their career. Programs are focussed on self-awareness and are targeted to prepare individuals for leadership including first time managers, mid-managers and our most senior leaders. Perspectives in Leadership is an orientation program for all new senior leaders. It is a one day program where our CEO and senior leadership team spend time with new hires. The program focuses on our culture, values, and what is expected to be a leader at BMO. Leadership EDGE is a six-month high-impact program for BMO's top 500 senior leaders that includes both 360 degree assessments and self-assessments, which are linked to Being BMO behaviours and classroom experience, fieldwork, coaching, personal development plans and a "One Bank Challenge" collaborative exercise. Many of our programs include leader led teaching content to share best practices and leadership lessons.

The key metrics we use to assess the effectiveness of our investments in training include the number of internal career moves, voluntary turnover rates and employee engagement survey results.

HIGHLIGHTS

- Using progressive technology to develop employees and help build their careers, we had over 8,000 visits to our career hub where employees engaged in an online JAM session to view career stories, participate in career conversations and access various tools and resources to help them own and drive their careers.
- After reviewing our approach to learning and development, we introduced bite-sized, mobile based learning for both skill and career development, in addition to formal learning. We will be launching an innovative social learning platform that brings together all of the different ways our employees learn.
- 99.7%[▲] of our employees completed ethics, legal and compliance training (ELCT) designed to equip and prepare them to act in accordance with our values and policies. All of these courses were updated in 2017 to reflect changes in the regulatory environment and to heighten awareness of certain key topics, such as BMO's Code of Conduct, information security and privacy matters, anti-corruption and anti-money laundering. We also enhanced ELCT proficiency tests so that they focus more closely on reasoning skills and scenario-based applications.

- Over 200 senior leaders have completed Leadership EDGE since its launch in April 2016, and we expect 100% completion by the end of 2019. The program has received high marks from participants, who have given it the highest possible rating for relevance and impact. In addition to putting their learning into practice as they tackle real-life business opportunities and individual challenges, participants have also worked on several enterprise-wide initiatives, including efforts related to efficiency and effectiveness and an intergenerational talent strategy.
- Of our top 500 roles we achieved 82% strong leadership succession slates, with at least one ready successor to fill each role.

Survey says...

In the annual BMOPulse survey:

82% of employees said that they have opportunities to learn and grow. This compares to a score of 78% in 2016, and is 9% higher than the average score for other financial institutions and 5% higher than the benchmark for leading companies.

77% of employees said that they believe their career goals can be met at BMO. This compares to a score of 73% in 2016, and is 11% higher than the average score for other financial institutions and 5% higher than the benchmark for leading companies.

86% of our employees have a good relationship with their manager.



\$71,577,643[▲]

Investment in training, equating to \$1,564 per FTE employee

7,000

More than 7,000 future leaders identified through some 250 talent roundtables in which we assessed employees' performance and potential

Diversity and Inclusion

Valuing diversity and inclusion is integral to who we are as an organization and how we succeed. It helps us attract a wide variety of talent and build better relationships with our increasingly diverse customer base and the communities in which we do business. It also fosters an environment that encourages creativity and allows the unique perspectives of employees from different backgrounds and experiences to add value to our business and drive growth.

Definition: Providing equitable opportunities to employees regardless of their gender, race, age, ethnicity, ability and sexual orientation and creating a workplace where all employees feel valued, respected and heard.

OUR APPROACH

Diversity has been one of BMO's core values for many decades and is embedded across all levels of our organization.

We were a founding signatory to the Catalyst Accord, committing to achieve a strong representation of women at all levels of our organization, including our Board of Directors. Today, more than a third of the independent members of our Board are women. We reaffirmed that commitment in early 2017, as Bill Downe, our CEO at the time, signed on as a Catalyst CEO Champion for Change. BMO has received gold-level certification in Progressive Aboriginal Relations on five different occasions, and is recognized as a best practices organization in this area.

We have a variety of targeted strategies, training programs and employee forums that are intended to increase the diversity of our workforce and build a more inclusive workplace. All of our employees are assessed against our core values in their annual personal performance reviews. In addition, senior leaders have diversity goals in their personal performance objectives. Our goals for diverse workforce representation are broadly communicated across the organization, and a quarterly diversity dashboard is available online, where all employees can track our results. The annual BMOPulse survey also includes questions related to diversity and inclusion.

After completing a five-year diversity renewal initiative in 2016, we took steps to consolidate our progress in 2017, and we also established Vision 2020 goals for diverse workforce representation to help us maintain our industry-leading position. Our focus will be on recruiting, retaining and developing a diverse complement of high-performing, talented individuals; fostering an inclusive work environment in which our people are able to learn from their differences; and being the bank of choice for the increasingly diverse customers and communities we serve.



Received a 2017 Catalyst Award, recognizing our industry-leading achievements to accelerate diversity and inclusion in our workplace and for our strong commitment to gender equality. BMO is one of only nine organizations in the world to have won this award twice.

86%

Our BMOPulse inclusion score, which measures the degree to which employees feel valued, respected and treated fairly, has risen by 5% since 2013 and is now at the benchmark for leading companies.

We achieved a representation of women in senior leadership roles of 40% in 2016, a goal we established in 2012 as part of our five-year diversity renewal initiative, and we maintained that rate in 2017. In moving forward with Vision 2020, the next phase of this journey, we have reframed this goal as we focus on gender equity in senior leadership. Our new gender equity goal is to achieve a minimum representation of men and women in senior leadership roles of 40% in each line of business. This will involve addressing the current gender disparity in groups such as Capital Markets and Human Resources, in which women and men, respectively, are under-represented.

BMO's CEO and Board of Directors are accountable for ensuring that inclusion and diversity remains a strategic priority. The Leadership Committee for Inclusion and Diversity brings together senior executives from across BMO and partners with our Office of Inclusion to ensure that measurable goals – and related action plans and monitoring mechanisms – are established across all of our lines of business.

HIGHLIGHTS

- Learn from Difference (LFD) is a multi-year initiative for building the inclusive leadership capabilities of BMO’s people managers and employees, so that everyone feels valued, respected and heard. By the end of 2016, more than 80% of people managers had completed the e-learning component of the LFD initiative. In 2017, we set out to engage the broader employee population. To reach front-line staff, whose roles limit their ability to step away from serving customers, we repackaged the 25-minute e-learning component into three five-minute modules and two optional modules to be covered over a three-week period, supplemented by a guide for 10-minute team discussions.
- We saw early signs of progress in our renewed emphasis on increasing the representation of Indigenous peoples in our workforce. Efforts to date have included creating an internship program specifically for Indigenous students and piloting peer-to-peer onboarding and career mentoring programs. We were pleased to note that the number of Indigenous student interns rose to 12 in 2017 from seven in 2016, and the intake of new Indigenous Peoples increased by 18% year-over-year.
- BMO Harris is a founding member of the Financial Services Pipeline (FSP) Initiative, a U.S.-based collaborative focused on developing a long-term diverse human capital strategy for financial services firms in Chicago. The impetus was research results indicating that the representation of African-Americans and Latinos in the financial services industry remained virtually unchanged between 1993 and 2013, despite the diversity and inclusion efforts of individual companies. In 2017, the FSP implemented the sixth and final phase of its strategy, which is focused on three areas: exposing young people and the community to financial services and preparing them to enter the industry at a professional level; recruiting and hiring; and improving the rates of retention and advancement to more senior positions.

WOMEN IN SENIOR LEADER ROLES – BMO CAPITAL MARKETS – CANADA AND UNITED STATES (%)

2017	2016	2015
18.1	16.2	16.7

VISION 2020 DIVERSITY GOALS



Listed on the 2017 Bloomberg Financial Services Gender Equality Index for the second year in a row



BMO named one of the most diverse and inclusive workplaces in the world. The bank is ranked 19th in the 2017 Thomson Reuters Diversity & Inclusion Index.

- Achieved 100% on the 2017 Disability Equality Index
- Achieved 100% on the 2018 Corporate Equality Index

Thomson Reuters Diversity & Inclusion Index: <https://newsroom.bmo.com/2017-10-10-BMO-Named-One-of-the-Most-Diverse-Inclusive-Companies-in-the-World>



Building Sustainable Communities

We strive to improve the quality of life everywhere BMO does business – both on our own and in partnership with stakeholders who share our commitment to community support, environmental sustainability and financial literacy. In our communities and in our operations, we’re focused on addressing the needs of today, but we’re also looking for ways to make tomorrow better.

\$62.3M[▲]

in donations to registered charities and non-profit organizations in Canada and the United States

>17,000

volunteer hours by BMO employees

14%

reduction in total carbon emissions, surpassing our five-year reduction target one year ahead of schedule



Alignment with SDGs



Material Topics in this Section

Financial literacy

Contributing to our communities

Reducing our environmental footprint

Loretta Minor, BMO

Human League

“Nothing is more rewarding,” says BMO’s Loretta Minor, “than working with someone who never thought they could buy a home and being able to say, ‘You’re approved.’ To know you played a very small part in helping them achieve their goals – it’s amazing.”

Loretta is part of a Chicago-based team that creates and delivers financial education programs, helping individuals and families get a better handle on their day-to-day money challenges and begin investing in longer-term plans. The team’s work is part of a broader commitment to fostering community building and economic development across the many diverse areas of the city in which BMO does business.

BMO partners with the Chicago Urban League to help people with low to moderate incomes manage their financial futures – and build a stronger community.

One of our key partnerships is with the Chicago Urban League, which for more than a century has led the way in helping neighbourhoods grow stronger. Focusing on African Americans with low to moderate incomes, the League works to advance social and economic progress through collaborative efforts in everything from career training to violence prevention. Among its many successful initiatives is the Housing and Financial Empowerment Center, which counsels current and prospective homeowners and provides financial literacy classes that can help people reduce debt, build credit, do high-level estate planning, grow their savings and gain greater control over their financial futures.

For the past decade, Loretta has served as a presenter for the Center’s workshop for first-time homebuyers, drawing on her many years of experience in personal lending. She guides aspiring homeowners through the steps necessary to realize their dreams, from creating a budget (and sticking to it) through fulfilling all the requirements involved in having a mortgage approved.

Loretta Minor leading a workshop.



“Many of our clients do not trust banks,” explains Margaret Wooten, the Center’s Vice President. “We try to show them there are real people working at banks. And with Loretta, they see that. She’s so good at empowering people with knowledge and showing them home ownership is attainable.”

The program is part of the League’s ten-year plan, Blueprint for an Equitable Chicago, which is shifting the focus from treating the symptoms of inequality, such as poverty and family dysfunction, to addressing its root causes. BMO has been a key supporter, encouraging other businesses to join in funding capacity-building programs and investing in the development of healthier, more sustainable communities. Many of our employees volunteer as financial educators, and several have served on the League’s board.

“This is a bank that really gets it,” Margaret says. “I don’t believe anyone has a partnership as great as the one we have with BMO.” Private sector collaborations have become increasingly vital as the League is less able to count on government support. “We’re working to get multi-year partnerships in place, so no matter what happens, we can continue providing services to people.”

Loretta and her colleagues, meanwhile, are finding new opportunities to make a difference. They have adapted the homebuyers’ workshop for people with disabilities, public school students and faith-based groups. “Everyone on our team has a passion for helping,” she says. “It’s the right thing to do – for us as members of the community, and for a bank that says, ‘We’re here to help.’”

Financial Literacy

As we help our customers make the right financial decisions and plan for their future, we are also helping our business and the communities we serve. Improving financial literacy advances individual and collective economic prosperity, and helps people reach their life goals. Informed decision-making becomes all the more important as the number of options available to our customers continues to increase.

Definition: Helping customers gain the knowledge, skills and confidence they need in order to make well-informed financial decisions.

Learn more

[BMO website – Your Financial Life](#)

[BMO Harris Bank website – Your Financial Life](#)

[BMO website – Ways to Bank](#)

BMO website – Your Financial Life: <https://yourfinanciallife.bmo.com/>
 BMO Harris Bank website – Your Financial Life: <http://yourfinanciallife.bmoharris.com/>
 BMO website – Ways to Bank: <https://www.bmo.com/main/personal/ways-to-bank/#online-bank-tools-section>

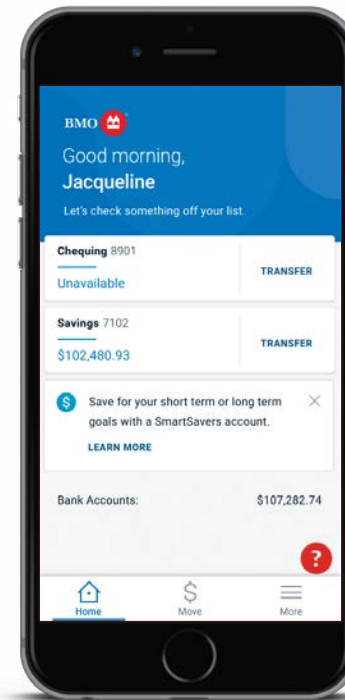
OUR APPROACH

In keeping with our brand promise, “We’re here to help,” BMO offers a range of complementary programs intended to help our customers understand their current financial situation more clearly and make plans for their future. Our programs include the following:

- Workshops on banking basics
- Credit counselling
- Seminars for first-time homebuyers
- Money management programs for school-aged children
- Financial advice for public sector and non-profit organizations

We are also involved in community programs focused on improving financial literacy, and we partner with local organizations that can help extend our reach and maximize the impact of these initiatives.

Rather than delegating responsibility for improving financial literacy to a single group in our organization, we integrate this objective into our approach to product development, community relations and our engagement with our customers, our employees and the public.



HIGHLIGHTS

BMO Harris has a long history of providing financial education in the communities where we operate. In 2017, nearly 4,300 adults and children attended seminars, helping them make better decisions for today and tomorrow.

BMO’s Your Financial Life (YFL) websites offer straightforward, easy-to-understand information to help consumers navigate their finances during important life stages. YFL provides tips and resources to empower first-time homeowners, couples, new parents, small business owners, and more. Links to BMO and BMO Harris websites are below.

BMO Online and mobile banking services offer free online resources to our BMO Bank of Montreal Everyday Banking and Mastercard customers. Through our online offerings, customers can track their spending, set goals for saving and spending through the use of the Manage My Finances section while comparing their spending patterns with others in the Manage My Finances community.

BMO has partnered with Junior Achievement of Central Ontario (JACO), delivering some 148 programs during the 2016/2017 school year. More than 275 BMO employees participated during the 2016/2017 school year, having a positive impact on 3,996 students.

The one-day Economics for Success program is designed to engage grade eight students and get them thinking and strategizing about their future and how they could best enter and thrive in the workforce.

Junior Achievement’s 18-week Company Program offers a group of up to 30 high school students in grades 9–12, across Central Ontario, the opportunity to take an eight-month journey of triumphs, failures, and, ultimately, discovery. The Company Program gives student participants important “real world” experience; helping to build their confidence and pushing them to go beyond what they think is possible.

\$62.3M[▲]

in donations to registered charities and non-profit organizations in Canada and the United States

Contributing to Our Communities

As one of North America’s largest banks, we have a responsibility to make a meaningful contribution to the quality of life in the communities where we do business, beyond the financial products and services we provide. Giving back through volunteering and donations is important to BMO and its employees, and it’s one of the ways BMO helps build stronger, more vibrant and more resilient communities.

Definition: Providing support to communities through a variety of initiatives and programs (such as corporate donations, sponsorships and employee volunteering).

Learn more

[BMO website - Community Giving](#)

[BMO website - Sponsorships](#)

OUR APPROACH

BMO has a long-standing tradition of supporting programs and projects that foster social and economic well-being in the communities where we do business. Our efforts are informed by the values and principles related to social change, financial resilience and community support that we share with all of our stakeholders.

We provide support in three main ways:

- Community giving – making corporate donations to registered charities and community and non-profit organizations
- Sponsorships – providing support for festivals, events and sports teams that enrich community life and promote the BMO brand
- Employee giving and volunteering – providing opportunities for our employees to participate in community-building activities during regular business hours

When it comes to community giving, our focus is on helping our community partners as they shape the future, collaborating with them to create sustainable solutions and offering them the resources they need to achieve their goals while also contributing to the common good.

In 2017, we established three specific pillars – collaboration, learning and innovation – that inform our decisions related to community giving going forward. These pillars guide us as we select and work with our community partners, and as we measure the performance of those partnerships. Together with our community partners, we challenge the status quo and identify innovative approaches that bring about sustainable social change.

Separate corporate donations committees in Canada and the United States have responsibility for exercising effective oversight and decision-making in the governance of community giving initiatives, budgeting and the management of reputation risk. Any significant conflicts of interest, or appearances of conflict of interest, are promptly escalated for review in accordance with BMO corporate policies.

HIGHLIGHTS

Community Giving

BMO donated \$62.3 million[▲] to registered charities and non-profit organizations in Canada and the United States in 2017, of which \$37.4 million represented donations in Canada.



BMO made its first official donation in 1835, to the Montreal General Hospital.

Health care – BMO made an unprecedented commitment to improving the quality of health care in Canada, pledging \$3 million to each of the following seven academic health care institutions affiliated with the University of Toronto, for a total of \$21 million:

- Toronto General & Western Hospital – to establish the new BMO Education and Conference Centre.
- Sinai Health System – to create a state-of-the-art Diabetes Complications Prevention Clinic and develop tailored, culturally appropriate diabetes programming for First Nations communities.
- Sunnybrook Health Sciences Centre – to support the creation of a new prostate cancer centre that will be home to a program built on three pillars: innovative research, leading-edge diagnosis and precision treatment.
- The Hospital for Sick Children – founding partner of the new Kids Health Alliance, which is a new technology platform that brings together community doctors, hospital, and home and community healthcare providers to deliver the highest possible form of extended care.
- Princess Margaret Hospital – for the establishment of the BMO Financial Group Chair in Precision Genomics to advance cancer research.
- St. Michael’s Hospital – for the naming of the BMO Ambulatory Care Area in the new state-of-the-art emergency department.
- Centre for Addiction and Mental Health – for the naming of the new geriatrics wing at its Queen Street campus.

BMO website – Community Giving: <https://www.bmo.com/home/about/banking/corporate-responsibility/community>
 BMO website – Sponsorships: <https://www.bmo.com/home/about/banking/corporate-responsibility/community/sponsorships>

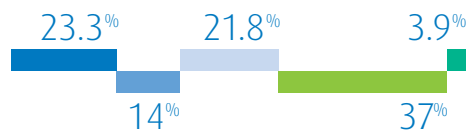
\$22M

raised for charities through the 2017 BMO Employee Giving Campaign

Indigenous initiatives – As part of our commitment to supporting Indigenous Peoples, we made a \$1 million donation to the University of Manitoba to establish the BMO Financial Group Indigenous Leader of Tomorrow Scholarships, and we pledged \$1 million to the University of Victoria’s Northwest Aboriginal Canadian Entrepreneurs Program (see page 28). We provided support for the Youth Fusion stay-in-school program, and we also donated \$1 million to the Winnipeg Art Gallery’s Inuit Art and Learning Centre, which will be both a home and an advocate for the world’s largest collection of contemporary Inuit art.

Arts and culture – To encourage participation in the artistic and cultural life of local communities, BMO Harris Bank pledged \$1 million to the Chicago Public Library’s YOUmedia program, a nationally-recognized 21st century teen learning lab located in 12 Chicago Public Library branches in some of Chicago’s highest-need neighbourhoods. The program engages some 4,500 middle school and high school students and offers 2,000 digital media, STEM, and creative programs that open new pathways to college, career, and civic engagement.

Our US\$200,000 donation to the Chicago Shakespeare Theatre supported the summer Shakespeare in the Park performances and to the Artistic Venture Fund. The AVF supports the creation of new productions, doubles the CST’s services to school students enabling it to reach 100,000 learners annually, and subsidizes reduced priced tickets for student audiences ensuring the arts are accessible to all. Our gift also supports the CST’s World’s Stage Series, which has introduced more than 700 international artists to Chicago and toured CST productions to five continents.



Community giving by focus area (%)	% of total
Arts and culture	23.3
Civic and community service (includes economic development and affordable housing)	14
Education	21.8
Health care and social services (includes hospitals and federated appeals)	37
Other (includes Matching Gift and Volunteer Grants Programs)	3.9



Education – BMO Capital Markets raised \$1.6 million in funding from institutional equity trading commissions during its 13th annual Equity Through Education (ETE) trading day. The funding was directed to North American and European charities that provide greater access to education for less advantaged students through scholarships, bursaries and other academic programs. Since its launch in 2005, ETE has raised \$19.5 million and has provided support for more than 3,000 students.

Employee Giving and Volunteering

We encourage and support BMO employees who generously share their time, financial resources and skills to help their communities.

Giving – In calendar year 2017, more than 92% of our employees participated in the BMO Employee Giving Campaign, donating \$22 million to local United Way organizations and other charities across North America.

Walk – Our employees have rallied around Walk so Kids Can Talk, a major fundraising event presented by BMO for Kids Help Phone, Canada’s only 24/7 national support service for youth. The annual event helps ensure that the Kids

Help Phone line is always open for children of all ages who need counselling. In 2017, 8,400 BMO employees, their family members and friends participated in the five-kilometre walk, raising \$1.8 million.

Volunteering – BMO Volunteer Day is a special day set aside each year for our employees to lend a helping hand to local charities and community groups, instead of coming in to work. More than 4,600 employees participated in the June 2017 event. As a way to mark BMO’s bicentennial, teams of 200 employees partnered with United Way Toronto & York Region, Centraide of Greater Montreal and the American Red Cross on community projects in three major cities. Other volunteers helped individuals with disabilities in Chicago, worked with the Boys & Girls Clubs of Greater Milwaukee, provided career coaching and resumé writing workshops for newcomers and marginalized community members in Toronto, helped out at food banks in British Columbia, contributed to environmental initiatives and more. Many employees who were unable to leave the workplace on that day participated by telephone, providing career counselling and advice to young people.

Pro bono services – BMO’s pro bono program offers free legal services to low-income and vulnerable clients. Services include drawing up powers of attorney, living wills and asylum applications, as well as providing education rights counselling. Services are also offered to

seniors who are dealing with landlord/tenant matters, breach of contract and elder financial abuse. To date, BMO representatives in Canada and the United States have provided more than 1,000 hours of pro bono legal services.

BMO’s Pro Bono Legal Program

32

Cases in Canada since program launch in November 2016

360

Total Canadian volunteer hours to date

100

Number of volunteers in Canada



105

Cases in the United States since program launch in November 2015

675

Total U.S. volunteer hours to date

60

Number of volunteers in the United States

Sponsorships

We take great pride in our many sponsorships, through which we are able to provide significant funding for a variety of important community organizations and events.

In 2017, we continued as the Official Bank of the Calgary Stampede, and we were the title sponsor of the BMO Nations’ Cup equestrian show-jumping competition in Calgary, the BMO Harris Bank Magnificent Mile Lights Festival in Chicago, the BMO Vancouver Marathon and the BMO Harris Bank Summerfest Rock ’n Sole Run in Milwaukee. We also continued to sponsor the BMO Celebrating Women program, which honoured women in 11 cities across North America for their contributions to local businesses and communities.

We expanded our support for the Canadian defence community as both an official sponsor of the Invictus Games Toronto 2017 and a community partner of the Invictus Games Flag Relay.

Our sports sponsorship portfolio spans a range of professional and grassroots initiatives that give youth and families an opportunity to experience the positive impact of sport. In 2017, this included the BMO NBA Courts Across Canada initiative, which brought NBA players and representatives to seven locations across the country – among them, two First Nations communities on Haida Gwaii in Skidegate, British Columbia and the Whitecap Dakota First Nation in Saskatoon, Saskatchewan – to leave a lasting legacy in communities that wouldn’t otherwise have the chance to experience basketball at the professional level.



Awards

Presented with a Corporate Social Responsibility Leadership Award by the Financial Services Roundtable in the United States.

Received the 2017 Corporate Civic Leadership Award from Leadership Greater Chicago.

Recognized by the United Way of Metro Chicago with the Top Corporate Citizen Award and the Corporate Leadership Award.

Gold award in the Cause category at the 2017 Sponsorship Marketing Awards ceremony for our participation in Walk So Kids Can Talk with Kids Help Phone.

Gold award in the Sports category at the 2017 Sponsorship Marketing Awards ceremony for our BMO NBA All-Star sponsorship, which included:

- BMO Ball-Star Park, featuring a BMO Stump the Ball-Star trivia experience that answered the question “What does a bank like BMO know about basketball?”
- BMO NBA All-Star Kids Fest, a 50-city, coast-to-coast family-friendly tour featuring Junior NBA clinics, the BMO Junior Reporter contest and a youth art program focused on mosaic tile artwork that was unveiled during the NBA All-Star Weekend and now resides permanently at the MLSE Launchpad.

Reducing Our Environmental Footprint

Environmental stewardship is one of today's most pressing global challenges, with climate change in particular presenting a growing threat. Stakeholders expect us to consider the impact that BMO has on the natural environment, both directly in terms of our own operations and indirectly through our purchasing decisions. We expect the same of ourselves – and we have worked hard to maintain our carbon neutrality since 2010.

Definition: Mitigating the environmental impact of our operations by applying best practices in managing our energy use, transportation, material consumption, water use, waste generation, the emissions generated by our operations and the effects of other activities.

Learn more

[BMO website – Environmental Policy](#)

[BMO website – Statement on Climate Change](#)

BMO website – Environmental Policy: https://www.bmo.com/cr/images/BMOEnvironmentalPolicy_April2016.pdf
 BMO website – Statement on Climate Change: <https://www.bmo.com/cr/images/BMOClimateChangeMarch2016.pdf>

OUR APPROACH

BMO's Environmental Policy affirms our commitment to protecting the environment by managing our operations responsibly and complying with or exceeding our commitments, including legal environmental requirements. The Policy has been in place since 1992, and has been updated several times to address new and evolving issues.

As a provider of financial services, the majority (87%) of our direct environmental impact is a result of emissions from the buildings we occupy, while the remainder is largely the result of business travel. We strive to mitigate this impact by applying best practices in managing our energy use, transportation, material consumption, water use, waste generation and emissions generated by our operations. Purchasing energy from renewable sources is a key part of our approach. In the United States, 100% of the electricity used in facilities we own is from renewable sources. In Canada, almost 23% of our electricity needs were met through the purchase of power from emissions-free sources in 2016.

100%

In the United States, 100% of the electricity used in facilities we own is from renewable sources

We set aggressive carbon emissions reduction targets that will drive continuous improvement. Having achieved our most recent five-year goal one year ahead of schedule (see Carbon Emissions Report on page 49), we have set a new 5 year target to reduce absolute carbon emissions by 15% compared to the fiscal 2016 baseline. The international community is pressing companies to set science-based GHG reduction targets that will support worldwide efforts to limit the rise in global temperature. In response, we're assessing a wide range of science-based methodologies for setting future targets.

We have established a 5 year target to reduce water use intensity by 8% compared to the fiscal 2016 baseline.

BMO's Senior Vice President, Corporate Real Estate is responsible for overseeing the implementation of BMO's Environmental Policy, establishing and maintaining the organization's Environmental Management System in alignment with the ISO 14001 standard, and setting objectives and targets related to the environmental impact of our operations. Recognition and financial awards are offered as incentives for reducing our environmental footprint in many areas across the organization. For example, the performance of employees in our Environmental Sustainability group is assessed – and they are rewarded financially – partially based on their success in this area.

HIGHLIGHTS

We achieved our five-year absolute and intensity-based targets for reductions in our carbon emissions one year ahead of schedule. Absolute carbon emissions were reduced by close to 14% over the course of four years (by the end of fiscal 2016, from a fiscal 2012 baseline). See details in our Carbon Emissions Report (page 49).

Four BMO facilities have now been certified under the ISO 14001 standard. Two of these facilities, the Bank of Montreal Tower and BMO's Institute for Learning, both in the Greater Toronto Area, have also achieved certification under the most recent version of the ISO Environmental Management System standard, ISO 14001:2015.

To improve energy efficiency, we continued to implement building automation systems technologies in our retail branch network in Canada, and we upgraded lighting and HVAC equipment at various Canadian and U.S. facilities. For larger BMO-owned facilities, we have an ongoing program for upgrades to fans and motors (installing new variable frequency drive units), compressors, cooling tower filtration systems, chiller infrastructure and lighting. A separate initiative is focused on improving the energy efficiency of building envelopes, including windows, doors and roofs. In 2016, we invested approximately \$9.8 million in energy-related projects, which have generated annual savings of \$1.8 million and reductions in emissions equivalent to 3,800 tonnes of carbon dioxide equivalent (tCO₂e).

Our partnerships with environmental organizations make our efforts more effective and create opportunities for our employees to get involved. For example:

- For the third consecutive year, BMO partnered with the David Suzuki Foundation (DSF) to engage employees in creating local habitats for endangered pollinators as part of BMO Volunteer Day. We also hosted the DSF 30x30 Nature Challenge, in which employees were encouraged to step outside and reconnect with nature for 30 minutes each day for 30 days.

- A team of BMO employees took part in the World Wildlife Fund CN Tower Climb – Corporate Challenge for the second consecutive year, raising both funding and awareness for the protection of wildlife and habitats. The 24 employees on the team raised more than \$7,500, well above our \$5,000 target, and earned a spot for BMO on the leaderboard of top 10 corporate fundraisers.

- BMO partnered with the Plastic Oceans Foundation of Canada to promote the award-winning documentary “A Plastic Ocean” during Earth Week 2017. We also offered free online access to this film to employees and their families and hosted screenings at BMO offices.

2016 Total Emissions by GHG Protocol Scope (tCO₂e)¹

	%
Scope 1: Natural gas, other fuels/fleet fuels/hydrofluorocarbons	11
Scope 2: Electricity/steam purchased	36
Scope 3: Leased premises, ground/air travel, waste to landfill	53

¹Environmental performance data for 2017 will be available on BMO's website in June 2018.

Awards

- 2017 Global 100: Most Sustainable Corporations in the World
- Dow Jones Sustainability North America Index (2017/18)
- Corporate Knights' 2017 list of Canada's Best 50 Corporate Citizens

Learn more

- [BMO website – Environmental Performance](#)
- [BMO website – Environmental Targets](#)
- [BMO website – CDP Response](#)

CARBON EMISSIONS REPORT

Results shown here reflect 2016 environmental performance. Data for 2017 will be available on BMO's website in June 2018.

Absolute Carbon Emissions

Target: Reduce enterprise carbon emissions over which BMO has direct control by 10% compared to the fiscal 2012 baseline by the end of fiscal 2017.

↓ 13.9%

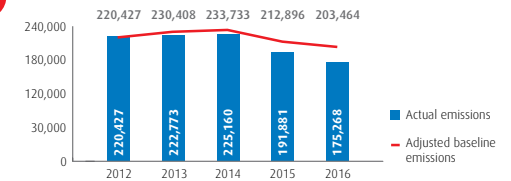


Absolute carbon emissions were reduced by 13.9% as of the end of fiscal 2016, one year ahead of schedule.*

*BMO uses emissions data in assessing performance for scopes 1, 2 (location-based) and 3 of this target. Reductions in emissions are adjusted for changes in weather and other factors.



Multi-Year Tracking



Intensity-Based Carbon Emissions

Target: Reduce CO₂e emissions per full-time employee (FTE) by 0.5 tonne compared to the fiscal 2012 baseline by the end of fiscal 2017.

↓ 0.53 tCO₂e/FTE

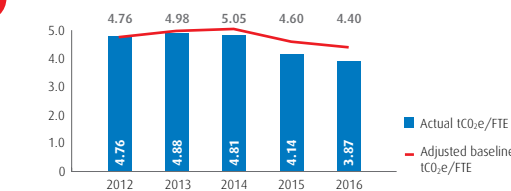


Having achieved a reduction of 0.53 tCO₂e per FTE, we surpassed our target one year ahead of schedule.* Relative emissions, adjusted for changes in weather and other factors, decreased by 12% compared to the fiscal 2012 baseline, while the total number of full-time employees decreased by approximately 2.2% over the same period.

*BMO uses emissions data in assessing performance for scopes 1, 2 (location-based) and 3 of this target.



Multi-Year Tracking



BMO website – Environmental Performance: <https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance>
 BMO website – Environmental Targets: <https://www.bmo.com/home/about/banking/corporate-responsibility/environment/carbon-neutral>
 BMO website – CDP Response: https://www.bmo.com/cr/files/BMO_CDP2017en.pdf

<p>Absolute Carbon Emissions</p> <p>Target: Continue to meet enterprise-wide goal of carbon neutrality, which was originally achieved in fiscal 2010.</p>	<p>Neutral tCO₂e</p>	<p>Progress: Achieved ✓</p> <p>In August 2010, BMO announced that it had achieved its goal of carbon neutrality through a combination of reductions in consumption, the investment in electricity from renewable sources (renewable energy certificates) and the purchase of high-quality voluntary carbon offset credits.</p>	<p>We successfully met this goal again in fiscal 2016.</p>																		
<p>Renewable Energy – Canada</p> <p>Target: Increase the amount of energy from renewable sources purchased to 22.53% of our total scope 2 electricity consumption – a 5% increase from the fiscal 2015 baseline, by the end of fiscal 2017.</p>	<p>22.67%</p>	<p>Progress: Achieved ✓</p> <p>At the end of fiscal 2016, the total amount of electricity from renewable sources purchased was 22.67% of total scope 2 electricity consumption, surpassing the target. Contributing to this success was an overall reduction in scope 2 electricity consumption of 6,787 MWh in fiscal 2016 compared to 2015 as a result of ongoing efforts to reduce emissions, as well as additional purchases of 5,430 MWh of electricity from renewable sources in the form of renewable energy certificates.</p>	<p>At the end of fiscal 2016, we set a one-year target to increase our purchase of electricity from renewable sources to 23% of total scope 2 electricity consumption, which would be a slight improvement over our performance in 2016. We expect to reach this target by continuing to invest in renewable energy certificates.</p>																		
<p>Renewable Energy – United States</p> <p>Target: Maintain our existing purchases of electricity from renewable sources in order to offset 100% of our total scope 2 electricity consumption.</p>	<p>100%</p>	<p>Progress: Achieved ✓</p> <p>Contributing to our success was an overall reduction of 9,565 MWh in scope 2 electricity consumption in fiscal 2016 compared to 2015 as a result of ongoing efforts to reduce emissions. We did not purchase additional renewable electricity certificates in the United States in fiscal 2016.</p>	<p>We are working toward achieving the same target in fiscal 2017.</p>																		
<p>Paper</p> <p>Target: Reduce enterprise paper consumption by 25% compared to the fiscal 2011 baseline by the end of fiscal 2016.</p>	<p>↓35%</p>	<p>Progress: Achieved ✓</p> <p>We exceeded our target, reducing paper consumption by 35% compared to the fiscal 2011 baseline numbers.</p>	<p>Multi-Year Tracking</p> <table border="1"> <caption>Multi-Year Tracking Data</caption> <thead> <tr> <th>Year</th> <th>Actual paper consumption</th> <th>Constant paper baseline consumption</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>6,466</td> <td>6,626</td> </tr> <tr> <td>2013</td> <td>6,930</td> <td>6,626</td> </tr> <tr> <td>2014</td> <td>6,981</td> <td>6,626</td> </tr> <tr> <td>2015</td> <td>5,261</td> <td>6,626</td> </tr> <tr> <td>2016</td> <td>4,292</td> <td>6,626</td> </tr> </tbody> </table>	Year	Actual paper consumption	Constant paper baseline consumption	2012	6,466	6,626	2013	6,930	6,626	2014	6,981	6,626	2015	5,261	6,626	2016	4,292	6,626
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GRI Index

Legend

- AIF – Annual Information Form for the year ended October 31, 2017
- AR – BMO Financial Group’s 200th Annual Report 2017

- ESG Report and PAS – Environmental, Social and Governance Report and Public Accountability Statement
- PC – Notice of Annual Meeting of Shareholders and Management Proxy Circular for the meeting to be held on April 5, 2018

G4 Indicator	G4 Description	Commentary
Strategy and Analysis		
G4-1	Statement from most senior decision-maker regarding sustainability.	See pages 2 and 3 of this report: Message from the CEO, BMO Financial Group, and Message from the Chair, BMO Sustainability Council.
G4-2	Description of key impacts, risks and opportunities.	For risks related to environmental, social and governance (ESG) practices and activities, see the Environmental and Social Risk and Reputation Risk sections on pages 111–112 of the AR.
Organizational Profile		
G4-3	Name of the organization.	Bank of Montreal.
G4-4	Primary brands, products and services.	Bank of Montreal brands the member companies of the organization as “BMO Financial Group”. As such, in this report, the names BMO and BMO Financial Group mean Bank of Montreal together with its subsidiaries. Further information: AR pages 27 and 194–195
G4-5	Location of headquarters.	BMO’s head office is located at 129 rue Saint-Jacques, Montreal, Quebec, H2Y 1L6, and its executive offices are located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.
G4-6	Countries of operation that are relevant to this report.	The 2017 ESG Report represents our enterprise-wide operations.

G4 Indicator	G4 Description	Commentary
G4-7	Nature of ownership and legal form.	Bank of Montreal is a Canadian Schedule 1 bank and a public company whose common shares are listed on the Toronto and New York stock exchanges. Shares are widely held by institutional and retail shareholders. Further information: AR page 144
G4-8	Markets served.	AR pages 194–195
G4-9	Scale of the organization.	See inside front cover of this report: Who We Are . Further information: AR pages 27 and 194–195
G4-10	Workforce breakdown.	See page 72 of the PAS: BMO Headcount.
G4-11	Percentage of total employees covered by collective bargaining agreements.	Currently, 0% of employees are covered by collective bargaining agreements. For BMO's position on freedom of association and collective bargaining, refer to: https://www.bmo.com/home/about/banking/corporate-responsibility/our-approach/our-commitment
G4-12	Supply chain.	In 2017, we purchased goods and services with a total cost of approximately \$4.6 billion from approximately 11,122 suppliers. Of that amount, approximately \$3.1 billion was spent through our Canadian operations and approximately \$1.5 billion was spent through our U.S. operations. We are committed to ensuring that our supply chain reflects the communities in which we operate, as well as our employees and shareholders. We strive to ensure that businesses owned by members of a minority group, women, Indigenous People, military veterans, persons with disabilities and lesbian, gay, bisexual and transgender persons all have an equal opportunity to compete as suppliers of goods and services. Further information: https://www.bmo.com/home/about/banking/corporate-information/supplier-information/current-supplier-information
G4-13	Significant changes during the reporting period.	None
G4-14	Precautionary approach or principle addressed by the organization.	See page 24 of this report: Advancing Responsible Banking.
G4-15	Externally developed ESG charters, principles, or other initiatives subscribed to or endorsed.	<ul style="list-style-type: none"> • Carbon Disclosure Project • Equator Principles • ISO 14001 Environmental Management System • Leadership in Energy and Environmental Design (LEED) • United Nations Principles for Responsible Investing • United Nations Universal Declaration of Human Rights
G4-16	Memberships and associations.	https://www.bmo.com/home/about/banking/corporate-responsibility/our-approach/memberships-associations

G4 Indicator	G4 Description	Commentary
Identified Material Aspects and Boundaries		
G4-17	Entities included in the consolidated financial statements.	Information about the inter-corporate relationships among Bank of Montreal and its significant subsidiaries is provided on page 197 of the AR.
G4-18	Process for defining report content and boundaries.	See pages 10–11 of this report: Materiality.
G4-19	Material aspects and issues.	See table on pages 63–64 .
G4-20	Aspect boundaries within BMO.	See G4-19.
G4-21	Aspect boundaries outside BMO.	See G4-19.
G4-22	Effect of any restatements of information.	There are no restatements of information in this report.
G4-23	Significant changes from previous reporting period in scope and aspect boundaries.	Data in this year's report is enterprise-wide, unless otherwise stated. Where there have been changes in measurement methods, we have identified those changes in a footnote.
Stakeholder Engagement		
G4-24	Stakeholder groups engaged.	See page 9 of this report: Engaging Our Stakeholders.
G4-25	Identification and selection of stakeholders.	See page 9 of this report: Engaging Our Stakeholders.
G4-26	Approach to stakeholder engagement.	See page 9 of this report: Engaging Our Stakeholders.
G4-27	Key topics and concerns raised through stakeholder engagement.	See page 9 of this report: Engaging Our Stakeholders.
Report Profile		
G4-28	Reporting period.	November 1, 2016 to October 31, 2017, unless otherwise stated.
G4-29	Date of previous report.	Our 2016 ESG Report and PAS was published in January 2017.
G4-30	Reporting cycle.	Annual.
G4-31	Email address for questions regarding this report.	sustainability@bmo.com

G4 Indicator	G4 Description	Commentary
G4-32	'In accordance' option.	This report has been prepared 'in accordance' with the Global Reporting Initiative (GRI) G4 Guidelines' Core option and the GRI Financial Services sector supplement. The Independent Limited Assurance Report to BMO appears on pages 69–70 of this report and includes the selected indicators.
G4-33	External assurance.	See page 69 of this report: Independent Limited Assurance Report.
Governance		
G4-34	Governance structure, including committees, responsible for oversight of ESG issues.	See page 14 of this report: Managing Our Business. Further information: Corporate Sustainability Governance
G4-37	Process for consultation between stakeholders and the highest governance body on ESG issues.	PC (Communications and Shareholder Engagement).
G4-38	Composition of the Board and its committees.	Board of Directors: www.bmo.com/home/about/banking/corporate-governance/board-of-directors Board Committees: www.bmo.com/home/about/banking/corporate-governance/board-committees/audit-and-conduct-review Further information: PC (Skills Matrix).
G4-39	Is the Chair of the Board also an executive officer?	The Chair of the Board of Directors is not an executive officer.
G4-40	Nomination and selection processes for the Board.	See our Governance and Nominating Committee Charter, Director Independence Standards and Board Diversity Policy at: http://www.bmo.com/home/about/banking/corporate-governance/select-documents Further information: PC (Directors).
G4-41	Director conflicts of interest.	PC (Ethical Business Conduct).
G4-42	Board's and senior executives' role in sustainability.	See page 14 of this report: Managing Our Business.
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	Our Sustainability Principles are presented alongside our Strategic Priorities, signalling that sustainability is incorporated into how we do business, manage risk and create value.
G4-45	Highest governance body's role in the identification and management of ESG impacts, risks and opportunities.	The Executive Committee (EC), comprised of our most senior leaders, is responsible for overseeing the overall sound governance and management of all aspects of our operations. The EC also oversees the execution of all strategies and business plans and reviews their effectiveness.
G4-46	Board's role in reviewing the effectiveness of BMO's risk management processes for ESG topics.	The Risk Management Committee provides risk oversight and governance at the highest levels of management. Further information: AR page 111 (Environmental and Social Risk).
G4-48	Highest committee or position that formally reviews and approves BMO's ESG Report and PAS.	The Audit and Conduct Review Committee of the Board.

G4 Indicator	G4 Description	Commentary
G4-49	Process for communicating critical concerns to the Board.	Internally, critical concerns are reported to the Board of Directors in the form of a report. For example, any non-compliance issues that arise are reported quarterly to the Audit and Conduct Review Committee. Externally, shareholders can contact independent directors by mail or email. See BMO's Shareholder Engagement Policy at: http://www.bmo.com/home/about/banking/corporate-governance/select-documents
G4-51	Remuneration policies for the Board and senior executives.	See the Compensation Discussion and Analysis section in the PC for BMO's approach to Executive Compensation and 2017 Results and Compensation. As an incentive for improving environmental performance, we provide monetary rewards to members of environmental/sustainability management teams and the corporate real estate executive team, as well as facility managers. Further information: http://www.bmo.com/cr/files/BMO_CDP2017en.pdf
G4-56	Values, principles, standards and norms of behaviour such as codes of conduct/ethics.	See page 14 of this report: Managing our Business.
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviours (e.g., helplines).	We have internal resources from which individuals can seek advice on ethical and lawful behaviour. Our Code of Conduct provides guidance on ethical decision-making. Our "Code of Conduct Resources" microsite is a centralized internal repository containing resources related to our Code of Conduct. We have an Ethics email address and a phone number through which individuals can write or call the Ethics Office to seek advice.
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour (e.g., whistleblowing mechanisms).	As part of our ongoing commitment to our employees, we provide multiple channels through which employees can report concerns, including a third-party whistleblower reporting service that allows employees (and other BMO stakeholders) to confidentially, and anonymously if they prefer, report any concerns related to accounting and financial reporting or our Code of Conduct to BMO's Office of the Ombudsman. Further information: https://www.bmo.com/home/about/banking/corporate-governance/bmo-whistleblower-hotline
Material Issues		
Access/Financial Inclusion		
G4-DMA	Disclosure on Management Approach.	See page 24 of this report: Advancing Responsible Banking.
FS13	Access points in low-populated or economically disadvantaged areas by type.	See page 24 of this report: Advancing Responsible Banking.
FS14	Initiatives to improve access to financial services for disadvantaged people.	See page 24 of this report: Advancing Responsible Banking. BMO is committed to making our facilities and services accessible to everyone. Initiatives include level or ramped entries to our branches, lowered height at our ATMs, account information and print materials in alternative formats (e.g., Large Print, Braille, Audio or E-text statements), TTY/TTD (Teletypewriter Device), Bell Relay Service and Sign Language interpreter (ASL for English and LSQ for French). Further information: http://www.bmo.com/home/about/banking/accessibility/accessibility-at-bmo?nav=left

G4 Indicator	G4 Description	Commentary
Business Conduct		
G4-DMA	Disclosure on Management Approach.	See page 14 of this report: Managing Our Business.
G4-HR2	Total hours of employee training on BMO's Code of Conduct.	The total number of training hours on BMO's Code of Conduct for fiscal 2017 was 20,598 hours.
G4-S08	Significant fines or monetary sanctions.	See page 8 of this report: ESG Scorecard.
Consumer Protection and Transparency		
G4-DMA	Disclosure on Management Approach.	See page 14 of this report: Managing Our Business.
FS15	Policies for the fair design and sale of financial products and services.	<p>Regulation of our Retail business: In Canada, financial institutions must provide certain disclosures to consumers, including but not limited to, cost of borrowing, negative option billing, complaint resolution, fees, interest rates and branch closures. The Financial Consumer Agency of Canada protects the interests of consumers by supervising federally regulated financial institutions in order to ensure that they comply with federal consumer provision regulations, voluntary codes of conduct and public commitments. In the United States, the Consumer Financial Protection Bureau (CFPB) supervises federally regulated financial institutions and is responsible for protecting consumers against unfair, deceptive or abusive acts or practices, and for taking action against companies that break laws or regulations. The CFPB is focused on making consumer financial markets work in the best interests of consumers, responsible providers and the economy as a whole.</p> <p>Regulation of our Wealth Management business: Our regulators ensure that we comply with regulatory and investment industry standards of practice and business conduct, and also with investor protection guidelines and rules intended to foster market integrity. In Canada, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA) oversee provincially regulated investment firms. The Canadian Securities Administrators is an umbrella organization of Canada's provincial and territorial securities regulators with jurisdiction over both the IIROC and the MFDA. In the United States, our regulators include the Financial Industry Regulatory Authority, the Securities and Exchange Commission, the Office of the Comptroller of the Currency and the Department of Labor.</p>
Contributing to Our Communities		
G4-DMA	Disclosure on Management Approach.	See page 42 of this report: Building Sustainable Communities.
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	See page 42 of this report: Building Sustainable Communities. Further information: Access/Financial inclusion initiatives are listed on pages 26-28 . Community development loans are listed on page 29 .

G4 Indicator	G4 Description	Commentary
Corporate Governance		
G4-DMA	Disclosure on Management Approach.	See page 14 of this report: Managing Our Business.
G4-LA12	Composition of governance bodies and breakdown of employees per category (e.g., indicators of diversity).	See page 8 of this report: ESG Scorecard (Women on Board of Directors). See also Diversity and Inclusion, a material issue included in this Index, for a breakdown of employees per category.
Customer Feedback		
G4-DMA	Disclosure on Management Approach.	See page 14 of this report: Managing Our Business.
G4-PR5	Results or key conclusions of surveys measuring customer satisfaction.	See page 14 of this report: Managing Our Business.
Diversity and Inclusion		
G4-DMA	Disclosure on Management Approach.	See page 33 of this report: Inspiring Our People.
G4-LA12	Composition of governance bodies and breakdown of employees per category (e.g., indicators of diversity).	See page 8 of this report: ESG Scorecard (Breakdown of employees per category). See also Corporate Governance, a material issue included in this Index, for the composition of governance bodies.
Employee Engagement		
G4-DMA	Disclosure on Management Approach.	See page 33 of this report: Inspiring Our People.
Refer to G4-26 and G4-27.		See page 9 of this report: Engaging Our Stakeholders.
Executive Compensation		
G4-DMA	Disclosure on Management Approach.	See page 14 of this report: Managing Our Business.
Refer to G4-51.		
Financial Literacy		
G4-DMA	Disclosure on Management Approach.	See page 42 of this report: Building Sustainable Communities.
FS16	Initiatives to enhance financial literacy by type of beneficiary.	See page 42 of this report: Building Sustainable Communities.

G4 Indicator	G4 Description	Commentary
Learning and Development		
G4-DMA	Disclosure on Management Approach.	See page 33 of this report: Inspiring Our People.
G4-LA9	Average hours of training per year per employee.	See page 33 of this report: Inspiring Our People.
Privacy and Data Security		
G4-DMA	Disclosure on Management Approach.	See page 14 of this report: Managing Our Business.
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Six privacy-related substantiated BMO customer complaints made to regulators.
Reducing Our Environmental Footprint		
G4-DMA	Disclosure on Management Approach.	See page 42 of this report: Building Sustainable Communities.
G4-EN3	Energy consumption within the organization.	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf
G4-EN5	Energy intensity (source data).	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf
G4-EN6	Reduction of energy consumption.	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-approach
G4-EN8	Total water withdrawal by source.	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	See page 8 of this report: ESG Scorecard. https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	See page 8 of this report: ESG Scorecard. https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf

G4 Indicator	G4 Description	Commentary
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	See page 8 of this report: ESG Scorecard. https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf
G4-EN18	Greenhouse gas (GHG) emissions intensity.	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf www.bmo.com/home/about/banking/corporate-responsibility/environment/carbon-neutral
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-approach https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance https://www.bmo.com/cr/files/BMO_CDP2017en.pdf
G4-EN20	Emissions of ozone-depleting substances (ODS).	https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance
G4-EN29	Significant fines and monetary sanctions for non-compliance with environmental laws and regulations.	BMO has not paid any significant fines and was not otherwise sanctioned for non-compliance with environmental laws or regulations in fiscal 2017. https://www.bmo.com/home/about/banking/corporate-responsibility/environment/environmental-performance
Responsible Investing		
G4-DMA	Disclosure on Management Approach.	See page 24 of this report: Advancing Responsible Banking.
G4-EC7	Development and impact of infrastructure investments and services supported.	See page 8 of this report: ESG Scorecard. See also page 24 of this report: Advancing Responsible Banking.
Responsible Lending		
G4-DMA	Disclosure on Management Approach.	See page 24 of this report: Advancing Responsible Banking.
FS1	Policies with specific environmental and social components applied to business lines.	Environmental and social risks include the possibility of adverse effects on the natural environment arising from emissions, wastes and resource depletion, as well as risks to the livelihoods, health and rights of communities and their cultural heritage arising from a client's business operations and BMO's financing activities. The existence of environmental and social risks does not preclude us from providing financing to a borrower. We have internal policies for our Commercial Banking and BMO Capital Markets businesses that provide guidance on how to identify, manage and mitigate environmental and social risks in financing transactions. The policies are regularly reviewed and approved by senior management.

G4 Indicator	G4 Description	Commentary
FS2	Procedures for assessing and screening environmental and social risks in business lines.	<p>Due diligence is performed by the line of business to determine the magnitude of the environmental and social risks. As part of the approval process, the transaction application will include the findings of the line of business. Environmental risk is most prevalent when dealing with environmentally sensitive industries. We have identified more than 50 industries that warrant a higher level of environmental due diligence. Specific due diligence questions are outlined in our financing policies.</p> <p>Environmental and social issues that the Bank may encounter in lending (including counterparty transactions) or loan realization are considered in terms of credit and liability risks. Since 2005, the Bank has applied the Equator Principles – a framework for addressing environmental and social risks in certain financing or lending activity (see Equator Principles, page 32). The Bank’s commitment to addressing environmental and social risks in other lending transactions is achieved through its normal assessment processes.</p>
FS3	Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions.	Social and environmental requirements in transaction agreements are monitored by the lines of business in the same way that other transaction requirements are monitored.
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Updates to our policies are widely distributed to all affected employees, and when necessary, we inform key decision-makers on a case-by-case or issue-by-issue basis.
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	We work with our clients and suppliers to understand and manage social and environmental risks, and to take advantage of opportunities. In our Commercial Banking and BMO Capital Markets businesses, we provide financing so that clients can take advantage of environmental opportunities.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	The management of environmental and social risks is integrated into our enterprise-wide risk management processes. As a matter of course, our internal audit function periodically conducts audits on all operating units. These audits include assessing each unit’s compliance with relevant environmental and social policies and risk management procedures.
Talent Attraction and Retention		
G4-DMA	Disclosure on Management Approach.	See page 33 of this report: Inspiring Our People.
G4-LA1	Employee turnover.	See page 33 of this report: Inspiring Our People.

G4 Indicator	G4 Description	Commentary
Additional Information		
G4-EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	<p>See page 4 of this report: Economic Contribution.</p> <p>Tax governance: The Audit and Conduct Review Committee of the Board of Directors of Bank of Montreal oversees BMO Financial Group's financial reporting, including the review of tax matters that are material to the financial statements. BMO Financial Group's approach to tax governance is guided by a number of key principles, including the following:</p> <ol style="list-style-type: none"> 1. Our intention is to comply fully with tax laws. 2. Our financial statements provide information on taxes, including our provision for current and deferred income taxes. 3. We actively seek to identify, evaluate, monitor and manage any tax risks that may arise. 4. We consider all applicable tax laws (among other laws) in connection with our commercial activities and only engage in tax planning with commercial or economic substance. 5. We are committed to the timely filing of all required tax and information returns. 6. We endeavour to maintain productive relationships and cooperate with relevant tax authorities. <p>BMO Financial Group has a robust anti-money laundering, anti-terrorist financing and sanctions compliance program and seeks to engage only in bona fide client transactions. The bank's operating groups are required to know the customers with whom they conduct business, the products and channels they use, and the jurisdictions to which they have connections, as essential elements of assessing a customer's risk and taking appropriate measures in response to the identified risk.</p>
G4-EC3	BMO's retirement savings programs coverage.	<p>We provide and/or contribute pension and/or retirement savings plans to eligible employees globally. These plans are managed prudently and in accordance with all applicable laws and regulations. Further information: AR page 184.</p>
G4-LA6	Absenteeism and total number of work-related fatalities.	<p>119,725 sick days were recorded by our employees in North America during fiscal 2017 and we did not record any work-related fatalities in fiscal 2017.</p>

G4 Indicator	G4 Description	Commentary
G4-S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions, by country.	<p>BMO Financial Group supports efforts to enhance the fairness and transparency of the electoral systems in the jurisdictions in which it does business.</p> <p>Historically, BMO has supported the political process in Canada through financial contributions to political parties and candidates in jurisdictions where such contributions are permitted. We contributed \$2,400 to political parties and candidates in these provinces during the reporting period.</p> <p>In the United States, there are two Political Action Committees connected with BMO Financial Corp. that are registered with the U.S. Federal Election Commission (FEC). These include: the BMO Financial Corporation Good Governance Fund: Federal and the BMO Financial Corporation Good Governance Fund: General. In addition, there is a Political Action Committee entitled BMO Harris Bank Government Affairs Fund which is connected to BMO Harris Bank and is also registered with FEC. Over the period from November 1, 2016 to October 31, 2017, these funds contributed a total of US\$77,494.74 to political organizations in the United States. These contributions were made from the BMO Harris Government Affairs Fund and the BMO Financial Corporation Good Governance Fund – Federal in the amounts of US\$71,410.90 and US\$6,083.84, respectively.</p> <p>BMO also supports the political process by supporting organizations such as the Parliamentary Internship Programme, the Public Policy Forum and the Canadian Association of Former Parliamentarians. In 2013, BMO renewed its commitment of \$250,000 over the next five years as lead sponsor of the House of Commons Parliamentary Internship Programme, one of the most important legislative training programs in the country.</p> <p>Responsibility: BMO's Government Relations team engages with policymakers and conducts advocacy only on public policy issues that affect our business and our ability to help our customers succeed. We do this directly and through trade associations in the countries in which we operate.</p> <p>Employee responsibility: Annually, all employees must complete mandatory training, which includes BMO's Code of Conduct. "Principle 5 – Manage conflicts of interest" explains the importance of identifying potential conflicts of interest, which include outside activities.</p>

BMO Material Issue	GRI Material Aspect	SDG	Associated Metrics/Disclosure	Boundary	
				Internal	External
Table for G4-19					
Access to banking services/Financial inclusion	Local Communities		First Nations participating in BMO's On-Reserve Housing Loan Program		X
Business conduct	Anti-Corruption		Ethics training (% completion)*	X	X
	Compliance		Significant fines or monetary sanctions*	X	
Consumer protection and transparency	Product and Service Labelling		Policies for the fair design and sale of financial products and services	X	X
Contributing to our communities	Local Communities	9	Donations*		X
Corporate governance	Diversity and Equal Opportunity	5	Women on Board of Directors (%)*	X	
Customer feedback	Product and Service Labelling		Number of customer loyalty surveys		X
			Average time to complete Banking reviews		X
			Average time to complete Wealth Management reviews		X
			Banking reviews completed by BMO's Office of the Ombudsman*		X
			Wealth Management reviews completed by BMO's Office of the Ombudsman*		X
Diversity and inclusion	Diversity and Equal Opportunity	5, 10	Women in senior leader roles – Canada and United States (%)*	X	X
			Minorities in senior leader roles – Canada (%)*	X	X
			People of colour in senior roles – United States (%)*	X	X
			Persons with disabilities – Canada and the United States (% of total workforce)*	X	X
			Indigenous peoples – Canada (% of total workforce)*	X	X
Employee engagement	Diversity and Equal Opportunity		Annual employee survey participation rate	X	
			Employee Engagement Index score*	X	X
Executive compensation	Governance		Refer to G4-51	X	
Financial literacy	Local Communities	10	Initiatives to enhance financial literacy by type of beneficiary	X	X
Learning and development	Training and Education	4	Average training hours per full-time equivalent employee	X	X
			Investment in training	X	X

BMO Material Issue	GRI Material Aspect	SDG	Associated Metrics/Disclosure	Boundary	
				Internal	External
Privacy and data security	Customer Privacy		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	X	X
Reducing our environmental footprint	Emissions	12	Emissions data (scope 1, 2 and 3)*	X	X
			Renewable energy purchases*	X	X
Responsible investing	Product Responsibility	5, 6, 10	Assets under management	X	X
			Community development investments*	X	X
Responsible lending	Product Responsibility	9	Community development loans*	X	X
			Renewable energy*	X	X
			• Equity and debt financing (participated in) (\$ billions)	X	X
			• Loan commitments (\$ billions)	X	X
Talent attraction and retention	Labour/Management Relations	8	Voluntary turnover rate*	X	X

* See ESG Scorecard on page 8 for metrics.

Glossary of Terms

ACTIVE EMPLOYEES

Includes full-time or part-time permanent BMO employees with an “active” payroll status, but excludes temporary/contract employees.

ANNUAL EMPLOYEE SURVEY PARTICIPATION RATE

Calculated as the number of active BMO employees who completed BMOPulse (refer to definition) divided by the total number of active employees who were invited to participate at the time the survey was administered.

AVERAGE TRAINING HOURS PER FTE EMPLOYEE

Calculated as total training hours (refer to definition) divided by the average number of full-time equivalent BMO employees during the reporting period for Canada and the United States.

BANK OF MONTREAL OR BMO

Bank of Montreal uses a unified branding approach that links all of the organization’s member companies under the brand “BMO Financial Group”. As such, in this document, the names BMO and BMO Financial Group mean Bank of Montreal, together with its subsidiaries.

BANKING REVIEWS

Investigations of customer complaints related to Bank of Montreal’s Canadian retail banking products (e.g., accounts, loans, credit cards) completed by BMO’s Office of the Ombudsman. Banking reviews include limited review cases (refer to definition).

BMO GLOBAL ASSET MANAGEMENT

The brand name for various affiliated entities of BMO Financial Group that provide investment management, trust and custody services.

BMO HARRIS BANK

A trade name used by BMO Harris Bank N.A., a national bank headquartered in Chicago with branches located in Illinois, Indiana, Arizona, Missouri, Minnesota, Kansas, Florida and Wisconsin. BMO Harris Bank N.A. is a member company of BMO Financial Group.

BMOPULSE

BMO’s confidential and voluntary annual employee survey, conducted by a third party on an annual basis. The online survey is available to all active BMO employees. Results and insights from this voluntary survey are reported at all levels of management and aggregated at an enterprise-wide level. Key metrics include Employee Engagement Index and Annual Employee Survey Participation Rate.

COMMUNITY DEVELOPMENT INVESTMENTS

Refers to investments that promote economic development, affordable housing, revitalization/stabilization and community service activities within BMO Financial Group’s U.S. footprint to meet the needs of individuals or communities with low to moderate incomes. The total monetary value of investments qualified for recognition under the terms of the *Community Reinvestment Act* is as of October 31, is stated in U.S. dollars, and is reported for the United States only.

COMMUNITY DEVELOPMENT LOANS

Refers to commercial real estate loans or other commercial loans that promote economic development, affordable housing, revitalization/stabilization and community service activities within BMO Financial Group’s U.S. footprint to meet the needs of individuals or communities with low to moderate incomes. The total monetary value of loans qualified for recognition under the terms of the *Community Reinvestment Act* is as of October 31, is stated in U.S. dollars, and is reported for the United States only.

CONTINGENT TALENT

Includes temporary full-time and part-time workers subcontracted through third-party suppliers, as well as independent (or self-employed) contractors normally working under contract for a fixed period of time or on a specific project that has a defined end date. Workers and contractors included in contingent talent are not considered to be BMO employees.

DIVERSITY

Refers to the mix of demographics, skills, experiences and work styles of all BMO employees. Diversity categories include:

- Women in senior leader roles – Canada and United States
- Minorities in senior roles – Canada
- People of colour in senior roles – United States
- Indigenous Peoples – Canada (total workforce)
- Persons with disabilities – Canada and United States (total workforce)

All active BMO employees and employees on paid leave are included in the metric. Data is reported as of October 31.

DONATIONS

Includes cash-based donations to registered charities and not-for-profit organizations in Canada and the United States. Excludes in-kind donations, commercial sponsorships and BMO Employee Giving amounts.

EMPLOYEE ENGAGEMENT INDEX (EEI)

Refers to the degree of employee engagement as indicated by the annual BMO employee survey results. EEI is the average of the agreement scores on five survey questions that measure how employees feel overall about BMO, and the level of their commitment, satisfaction and advocacy for the organization. The EEI score is an aggregate of the survey results for all active BMO employees.

ENTERPRISE AND ENTERPRISE-WIDE

Terms we use when referring to Bank of Montreal and all of its subsidiaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The term we use to encompass three distinct areas of our performance within which we consider and report on sustainability issues that have or may have an impact on our stakeholders or our business.

EQUATOR PRINCIPLES

A voluntary credit risk management framework for determining, assessing and managing environmental and social risk in Project Finance transactions (refer to definition). BMO has been a signatory of the Equator Principles since 2005.

ETHICS TRAINING (% COMPLETION)

Calculated by dividing the number of employees who completed the mandatory BMO Code of Conduct training course during the period from its April launch day to June 30 by the total number of employees as at June 30. Ethics training is reported for all BMO employees (permanent and casual) with an “active” payroll status, as well as covered contingent talent.

ETHICS TRAINING HOURS

Refers to the total hours spent by all BMO employees who have completed the mandatory ethics training course during the reporting period. “Course completed” status requires that employees: complete the training; pass an assessment with a score of 80% or better to confirm understanding of the course content; and complete the Declaration. Ethics training hours are reported for all BMO employees (permanent and casual) with an “active” payroll status, as well as contingent talent.

F&C ASSET MANAGEMENT (F&C)

A group of companies that provide diversified Europe-based investment management services under the trading name BMO Global Asset Management. F&C’s parent company was acquired by a wholly-owned subsidiary of Bank of Montreal on May 7, 2014.

FIRST NATIONS PARTICIPATING IN BMO’S ON-RESERVE HOUSING LOAN PROGRAM

Refers to the number of First Nations in Canada that have been approved for the On-Reserve Housing Loan Program. This program helps customers living on reserves, whose land and homes cannot be used as security for a mortgage, to obtain home financing with the backing of First Nations governments, without the need for federal government guarantees. For program details, see [Aboriginal Banking](#).

FULL-TIME EQUIVALENT (FTE)

Reflects the number of full-time equivalent employees in the organization, calculated based on a standard work week, adjusted for overtime hours and including full-time and part-time employees. This measurement is used in determining the composition and headcount of the total BMO workforce by region.

GLOBAL REPORTING INITIATIVE (GRI)

A collaborating centre of the United Nations Environment Programme. The GRI released a set of sustainability reporting guidelines that provide guidance for organizations to apply in preparing disclosure related to their sustainability performance, so that stakeholders have a comprehensive global framework within which they can understand and compare the information disclosed.

GREENHOUSE GAS EMISSIONS

Gaseous constituents of the atmosphere, both natural and human-made, that absorb and emit radiation at specific wavelengths within the spectrum of infrared radiation emitted by the earth’s surface, atmosphere and clouds. This process causes the greenhouse effect. Water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄), and ozone (O₃) are the primary greenhouse gases in the earth’s atmosphere. There are a number of entirely human-made greenhouse gases in the atmosphere, such as halocarbons, as well as certain fluorinated gases and halogens.

INDIGENOUS PEOPLES

Refers to the total number of BMO employees who identify themselves as First Nations, Inuit or Métis. Employees who are Indigenous may or may not live on a reserve, and may or may not have status under Canadian legislation. This number is reported for Canada only.

Aboriginal Banking: <https://www.bmo.com/aboriginal/en/>

INVESTMENT IN TRAINING

Includes the total amount spent on internal training courses, including design and delivery and associated costs (e.g., travel and materials), administered by BMO’s Institute for Learning, and cost reimbursements for external training courses (e.g., tuition fees, travel and materials) in Canada and the United States.

LIMITED REVIEW CASES

Banking and Wealth Management reviews to determine whether proper process was followed on matters that generally fall outside of the mandate of BMO’s Office of the Ombudsman (e.g., account closures, credit granting and risk management decisions). For further information on BMO’s Office of the Ombudsman mandate, please refer to: <https://www.bmo.com/home/popups/global/ombudsman/ombudsman-details> and <https://www.bmo.com/pdf/resolving-complaint-en.pdf>.

MINORITIES IN SENIOR ROLES

Refers to the total number of BMO employees in senior roles (see definition) who are racially non-white or ethnically non-Caucasian, other than Indigenous Peoples of Canada. Being a member of a minority is unrelated to citizenship, place of birth or religion. This number is reported for Canada only.

NET PROMOTER SCORE (NPS)

The net percentage of customers who would recommend BMO to a friend or colleague. Calculated by subtracting the percentage of “detractors” (defined based on a five-point scale as those indicating they “might or might not recommend”, “probably would not recommend” or “definitely would not recommend”) from the percentage of “promoters” (defined based on a five-point scale as those indicating they “definitely would recommend”). Reported on a 12-month rolling average basis.

NUMBER OF LOCATIONS SERVING ABORIGINAL COMMUNITIES

Number of BMO branches located on Aboriginal reserve land or Inuit territories, as defined by the Government of Canada. This number is reported for Canada only.

PEOPLE OF COLOUR IN SENIOR ROLES

Refers to the total number of BMO employees in senior roles (see definition) who are racially non-white and ethnically non-Hispanic/Latino. This number is reported for the United States only.

PERSONS WITH DISABILITIES

Refers to the total number of BMO employees who have a long-term or recurring physical, mental, sensory, psychiatric or learning disability and who:

- due to their disability have been accommodated in their current job or workplace; or
- consider themselves to be disadvantaged in employment due to workplace barriers by reason of their disability; or

- believe that an employer or potential employer is likely to consider them to be disadvantaged in employment by reason of their disability.

Disabilities may be non-visible. This number is reported for Canada and the United States.

PROJECT FINANCE

A method of financing in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. Project Finance arrangements play an important role in financing development throughout the world. This type of financing is usually used to fund large, complex and expensive installations that might include power plants, chemical processing plants, mines, and transportation, environmental and telecommunications infrastructure.

RENEWABLE ENERGY EQUITY AND DEBT FINANCING

The total amount of financing BMO has participated in and raised for renewable entities and renewable projects (refer to definitions) through public or private issuance of equity, equity-linked or debt securities.

RENEWABLE ENERGY LOAN COMMITMENTS

The total loan commitments BMO has to renewable entities and renewable projects, reflecting the Bank’s maximum exposure. The amount is derived from BMO Capital Markets’ loan commitments as at October 31.

RENEWABLE ENERGY PURCHASES

Refers to total purchases in megawatt-hours of renewable energy certificates (RECs) during the reporting period. In Canada, RECs represent power from certified wind and low-impact hydro generators and have been used in retail branches in Ontario, British Columbia, Alberta, Nova Scotia, New Brunswick and Prince Edward Island. In the United States, RECs represent power generated from wind turbines. In both Canada and the United States, RECs are retired after purchase through legal contract with the supplier.

RENEWABLE ENTITY

A company in the utilities, power generation and/or pipeline sectors that is engaged in power generation where renewable projects account for more than 50% of its power generation capacity, or that otherwise has a strategic focus on investing in renewable energy.

RENEWABLE PROJECT

A power generation facility that produces electricity using one or a combination of the following technologies: hydroelectric; on-shore wind; off-shore wind; solar; or biomass and other biofuels.

SCOPE 1 EMISSIONS

Refers to direct greenhouse gas (GHG) emissions from sources owned and/or controlled by BMO. Total Scope 1 emissions are calculated in accordance with the ISO 14064-1 standard and include those resulting from combustion of fuels at owned facilities (e.g., natural gas, heating oil, other fuels) and in owned transportation assets, as well as certain ozone-depleting substances. This definition of Scope 1 aligns with the GHG protocol and is reported for the period November 1 to October 31.

BMO’s Office of the Ombudsman mandate: <https://www.bmo.com/home/popups/global/ombudsman/ombudsman-details> and <https://www.bmo.com/pdf/resolving-complaint-en.pdf>

SCOPE 2 EMISSIONS

Refers to indirect GHG emissions associated with the generation of electricity, heating and cooling, or steam, purchased for BMO’s direct consumption. BMO’s total Scope 2 emissions include those related to the purchase of electricity and steam from non-renewable sources for use at our owned facilities. This definition of Scope 2 aligns with the GHG protocol and is reported for the period November 1 to October 31.

SCOPE 3 EMISSIONS

Refers to indirect GHG emissions resulting from combustion of fuels at our leased facilities (e.g., natural gas, heating oil, other fuels), or associated with electricity and steam from non-renewable sources purchased for use at our leased facilities, employee business travel (air/ auto/rail – North America only) and landfill waste (North America only). Total Scope 3 emissions are calculated in accordance with the ISO 14064-1 standard. This definition of Scope 3 aligns with the GHG protocol and is reported for the period November 1 to October 31.

SENIOR ROLES

Refers to the total number of BMO employees in senior roles (i.e., Senior Manager and above).

SIGNIFICANT FINES/MONETARY SANCTIONS

Refers to significant monetary fines that have been levied against BMO by a regulatory body during the reporting period. A fine is classified as “significant” if it has a monetary value greater than \$500,000 and is deemed by the regulatory body to relate to unethical business practices. Monetary sanctions refer to determinations that prohibit BMO from operating in certain jurisdictions or product lines.

Significant fines/monetary sanctions exclude fines or sanctions levied directly on employees by regulators for a breach of trading rules, where it has been determined that BMO has adequate policies and procedures in place to prevent non-compliance. This is determined by the regulatory body, which performs an investigation of the individual and the organization in order to establish whether or not the organization was aware of and able to prevent the individual’s behaviour with better policies and procedures.

It excludes fines/monetary sanctions for non-compliance with environmental laws and regulations.

SPONSORSHIPS

Includes cash-based sponsorships or “rights fees” that are negotiated as a sponsorship package paid by BMO. Sponsorships are provided to both commercial and non-profit entities.

TRAINING HOURS

Refers to the total number of hours incurred by BMO employees on completed internal training courses during the reporting period.

VOLUNTARY TURNOVER RATE

Refers to the number of permanent BMO employees who have voluntarily resigned during the reporting period as a proportion of the number of permanent BMO employees that were active or on paid leave at the end of the reporting period. The rate excludes executives.

WEALTH MANAGEMENT REVIEWS

Investigations of investment-related complaints completed by BMO’s Office of the Ombudsman for customers of Canadian operating subsidiaries: BMO InvestorLine, BMO Investments Inc., BMO Nesbitt Burns, BMO Private Banking, BMO Investment Counsel Inc., and/or BMO Life Insurance. Wealth Management Reviews include limited review cases (refer to definition).

WOMEN IN SENIOR LEADER ROLES

Refers to the total number of female BMO leaders (e.g., Managing Director, Vice-President). This number is reported for Canada and the United States.

WOMEN ON BOARD OF DIRECTORS

The percentage of independent members of BMO’s Board of Directors as at the end of the reporting period who are women.

Independent Limited Assurance Report to BMO Financial Group

We have been engaged by the Board of Directors of BMO Financial Group (BMO) to undertake a limited assurance engagement, in respect of the year ended October 31, 2017, on certain qualitative and quantitative performance information disclosed in BMO’s 2017 Environmental, Social and Governance Report and Public Accountability Statement (the Report) as described below.

Selected Indicators and Applicable Criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following performance information (the Selected Indicators):

- Women in senior leader roles – Canada and United States (%)
- Minorities in senior roles – Canada (%)
- People of colour in senior roles – United States (%)
- Persons with disabilities – Canada and United States (% of total workforce)
- Indigenous Peoples – Canada (% of total workforce)
- Employee engagement index (EEI) (%)

- Annual employee survey participation rate (%)
- Voluntary turnover rate – Canada and United States (%) (combined)
- Voluntary turnover rates – Canada and United States (%) (separate)
- Investment in training (\$)
- Average training hours per FTE employee
- First Nations participating in BMO’s on-reserve housing loan program (#)
- Donations (\$)
- Ethics training (% completion)
- Significant fines or monetary sanctions (#)

- Banking Reviews completed by BMO’s Office of the Ombudsman (number and average time in days)
- Wealth Management Reviews completed by BMO’s Office of the Ombudsman (number and average time in days)

In addition to the indicators listed above, we were also engaged to provide limited assurance over the indicator ‘Business with Aboriginal customers (\$)’. However, for the reasons described in the Access/ Financial Inclusion section of the Report on page 25 this indicator has not been disclosed in the Report. Accordingly our conclusion below on the Selected Indicators does not include the ‘Business with Aboriginal customers (\$)’ indicator.

The Selected Indicators, contained within the Report and denoted by the symbol ▲, have been determined by management on the basis of BMO’s assessment of the material issues contributing to BMO’s sustainability performance and most relevant to their stakeholders.

There are no mandatory requirements for the preparation, publication or review of sustainability performance information. As such, BMO applies its own internal reporting guidelines and definitions for sustainability reporting which can be found in the Glossary of Terms in the Report.

Management’s responsibilities

Management is responsible for the preparation and presentation of the Selected Indicators in accordance with BMO’s internal reporting guidelines and definitions for sustainability reporting, current as at the date of our report. Management is also responsible for determining BMO’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility

Our responsibility in relation to the Selected Indicators is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires that we comply with applicable professional standards, including International Standard on Quality Control 1.

Assurance approach

We planned and performed our work to obtain all of the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Selected Indicators, and applying analytical and other evidence gathering procedures to the Selected Indicators, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of BMO’s processes for determining the material issues for BMO’s key stakeholder groups;
- Inquiries with relevant staff at the corporate and business unit level to understand the data collection and reporting processes for the Selected Indicators;
- Where relevant, performing walkthroughs of data collection and reporting processes for the Selected Indicators;
- Comparing the reported data for the Selected Indicators to underlying data sources;

- Inquiries of management regarding key assumptions and where relevant, the re-performance of calculations;
- Reviewing the Selected Indicators presented in the Report to determine whether they are consistent with our overall knowledge of, and experience with, the sustainability performance of BMO; and
- Reviewing the consistency of BMO’s core reporting with the indicators and other information included in the Report.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Our assurance report is provided solely to BMO in accordance with the terms of our engagement. Our work has been undertaken so that we can report to BMO on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than BMO for our work, for this assurance report, or for the conclusion we have reached.

Independence and competence

In conducting our engagement we have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants. The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matter including environmental, social, governance and financial aspects.

Our conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that for the year ended October 31, 2017, the Selected Indicators, as described above and disclosed in the Report, have not been prepared and presented, in all material respects, in accordance with BMO’s internal reporting guidelines and definitions for sustainability reporting as at the date of our report.



Chartered Professional Accountants,
Licensed Public Accountants

February 7, 2018
Toronto, Canada

Bank of Montreal Public Accountability Statement

The Public Accountability Statement outlines certain aspects of Bank of Montreal's contributions, and the contributions of the bank's affiliates with operations in Canada, to the Canadian economy and society.

This satisfies the requirements of the Canadian federal government's Public Accountability Statement regulations (section 459.3(1) of the *Bank Act (Canada)*).

Affiliates

The activities of the following prescribed affiliates are included in this Public Accountability Statement. These affiliates are subsidiaries of the Bank of Montreal with less than \$1 billion in equity, except for our securities broker, BMO Nesbitt Burns Inc., and our mutual fund manager and trustee, BMO Investments Inc., which have equity exceeding \$1 billion.

BMO Asset Management Inc.

BMO Capital Markets Corp.

BMO Investments Inc.

BMO InvestorLine Inc.

BMO Mortgage Corp.

BMO Nesbitt Burns Inc.

BMO Private Equity (Canada) Inc.

BMO Private Investment Counsel Inc.

BMO Trust Company

IMPORTANT INFORMATION

Access to Banking Services [Page 26](#)

Small Business Financing [Page 28](#)

Community Development and Philanthropic Activities [Page 45](#)

Charitable Donations (Community Giving) [Page 45](#)

Employee Activities (Giving and Volunteering) [Page 46](#)

List of Affiliates [Page 71](#)

Taxes Paid or Payable in Canada [Page 72](#)

BMO Financial Group Headcount [Page 72](#)

Branches Opened and Closed [Page 73](#)

Branches Relocated [Page 73](#)

ATMs Opened [Page 74](#)

ATMs Closed [Page 75](#)

Business Debt Financing [Page 77](#)

Bank of Montreal Mortgage Corporation Public Accountability Statement [Page 78](#)

BMO Life Assurance Company Public Accountability Statement [Page 79](#)

BMO Life Insurance Company Public Accountability Statement [Page 80](#)

Taxes Paid or Payable in Canada (\$ millions)

	Income Taxes	Capital Taxes	Other Taxes
Federal	470.5	-	108.4
Province or Territory			
Newfoundland and Labrador	2.1	3.1	2.1
Prince Edward Island	0.4	0.4	0.2
Nova Scotia	3.4	2.3	2.5
New Brunswick	1.6	1.5	1.3
Quebec	46.9	13.1	48.3
Ontario	170.1		296.1
Manitoba	2.4	4.2	1.7
Saskatchewan	3.0	4.3	0.8
Alberta	20.9	-	1.2
British Columbia	22.4	-	4.4
Nunavut	-	-	-
Northwest Territories	0.2	-	-
Yukon	0.1	-	-
Total Provincial and Territorial	273.5	28.9	358.6
Total	744.0	28.9	467.0
Income and Capital Taxes	772.9		
Total Taxes	1,239.9		

Bank of Montreal, along with its Canadian subsidiaries, is a major Canadian taxpayer. In fiscal 2017, our overall tax contribution was \$1,240 million. This amount included \$744 million in income taxes, \$29 million in provincial capital taxes and \$467 million in other taxes. Included in other taxes is \$274 million in goods and services tax/harmonized sales tax and other sales taxes, \$180 million in payroll taxes (employer portion), \$11 million in property taxes and \$2 million in business taxes and other sundry taxes.

BMO Financial Group Headcount¹

Active, paid and unpaid leave employees (permanent, casual and contract).
As at October 31, 2017

Province or Territory	Full-Time	Part-Time	Total
Newfoundland and Labrador	182	64	246
Quebec	4,025	814	4,839
Nova Scotia	384	71	455
Prince Edward Island	43	15	58
New Brunswick	204	62	266
Ontario	19,093	1,646	20,739
Manitoba	316	79	395
Saskatchewan	317	127	444
Alberta	1,786	400	2,186
British Columbia	2,155	622	2,777
Northwest Territories	11	4	15
Yukon	7	4	11
Total²	28,523	3,908	32,431
United States	13,037	1,386	14,423
International	1,531	81	1,612
Total Employees	43,019	5,375	48,466

¹ Refers to the number of individuals employed full-time and part-time in each province.

² Includes all employees with a Canadian tax location.

Branches Opened and Closed

BMO BANK OF MONTREAL BRANCHES OPENED IN FISCAL YEAR 2017 (CANADA)

Branch	Address	City/Province
Front & Berkeley	236 Front Street E	Toronto, ON
North Town & Kenaston	400 North Town Road, Unit 110	Winnipeg, MB
No. 1 Road & Steveston Highway	1990 Steveston Highway, Unit 130	Richmond, BC

BMO BANK OF MONTREAL BRANCHES CLOSED IN FISCAL YEAR 2017 (CANADA)

Branch	Address	City/Province
Lunenburg	12 King Street	Lunenburg, NS
Chatham	1710 Water Street	Chatham, NB
Bayview & Romfield	8218 Bayview Avenue N	Brampton, ON
Centennial Mall	227 Vodden Street E	Brampton, ON
Dupont & Christie	659 Dupont Street	Toronto, ON
Forest Hill	421 Greenbrook Drive	Kitchener, ON
King & Dufferin	1211 King Street W	Toronto, ON
Korah & Douglas	331 Korah Road	Sault Ste. Marie, ON
Montreal & St. Laurent	470 Montreal Road	Ottawa, ON
Ontario Food Terminal	165 The Queensway	Etobicoke, ON
Orillia Main Office	1 Mississaga Street E	Orillia, ON
St. Clair & Pharmacy	627 Pharmacy Avenue	Scarborough, ON
St. Paul & Dublin	421 St. Paul Avenue	Brantford, ON
Waterford	9 Alice Street	Waterford, ON
Woodville	87 King Street	Woodville, ON
Courts of St. James	2727 Portage Avenue	Winnipeg, MB
4th & Alma	3695 4th Avenue W	Vancouver, BC
Capri Centre	1141 Harvey Avenue	Kelowna, BC
Ladysmith	370 Trans-Canada Highway	Ladysmith, BC

Branches Relocated

BMO BANK OF MONTREAL BRANCHES RELOCATED IN FISCAL YEAR 2017 (CANADA)

Branch	From	To	City/Province
Glen Allan & Aberdeen	493 King Street	18 Glen Allan Drive	Bridgewater, NS
1200 St. Clair W	1226 St. Clair Avenue W	1200 St. Clair Avenue W	Toronto, ON
Bay & Bloor	55 Bloor Street W	55 Bloor Street W	Toronto, ON
Beechwood & Mackay	14 Beechwood Avenue	29 Beechwood Avenue	Ottawa, ON
County Fair Plaza	285 Coldwater Road W	285 Coldwater Road W	Orillia, ON
Lakeshore and Enola	378 Lakeshore Road E	515 Lakeshore Road E, Unit 113	Mississauga, ON
Portage & Knox	3330 Portage Avenue	3330 Portage Avenue	Winnipeg, MB
Edmonton Main Office	10199 101 Street NW	10185 101 Street NW	Edmonton, AB
Arbutus Village	4255 Arbutus Street, Unit 108	4255 Arbutus Street, Unit 108	Vancouver, BC

ATMs Opened

Location	Address	City	Province
Glen Allan & Aberdeen	18 Glen Allan Drive	Bridgewater	NS
Eskasoni Foodland	4716 Shore Road	Eskasoni	NS
Lunenburg	12 King Street	Lunenburg	NS
Jean Coutu	4 Johnson Avenue	Miramichi	NB
Shell	720, chemin de la Grande-Côte	Boisbriand	QC
IGA	307, montée de la Source	Cantley	QC
IGA	81, chemin Lavaltrie	Lavaltrie	QC
BMO Canex Montreal	15, rue Jacques-Cartier N, Édifice 129	Saint-Jean-sur-Richelieu	QC
Petro-Canada	410, rue Croisetière	Saint-Jean-sur-Richelieu	QC
IDA	350 Simcoe Street	Beaverton	ON
Canex Buell	122 Ramillies Road	Borden	ON
Metro	156 Main Street S	Brampton	ON
Food Basics	227 Vodden Street	Brampton	ON
Sobeys	310 Colborne Street W	Brantford	ON
Ontario Food Terminal	165 The Queensway	Etobicoke	ON
Lakeshore & Enola	515 Lakeshore Road E	Mississauga	ON
Canex Carling Campus	3500 Carling Avenue	Nepean	ON
Sobeys	100 Mill Street	New Hamburg	ON
Sobeys	2276 10th Line	Orleans	ON
Food Basics	1021 Cyrville Road	Ottawa	ON
Beechwood & Mackay	29 Beechwood Avenue	Ottawa	ON
Mac's	2959 Petawawa Boulevard	Petawawa	ON
Canex	14 Ypres Boulevard Garrison	Petawawa	ON
Metro	275 Second Line W	Sault Ste. Marie	ON
Food Basics	830 Lansdowne Avenue	Toronto	ON
Rexall	481 Bloor Street W	Toronto	ON
York University – Founders College	4700 Keele Street	Toronto	ON
Rexall	285 Spadina Avenue	Toronto	ON
1226 St. Clair Avenue W	1226 St. Clair Avenue W	Toronto	ON
FreshCo	22 Northcote Avenue	Toronto	ON
Front & Berkeley	236 Front Street E	Toronto	ON
Foodland Waterford	792 Old Highway 24 S	Waterford	ON
Woodville Food Market	99 King Street	Woodville	ON
Canex Shilo	Building L125	Shilo	MB

Location	Address	City	Province
North Town & Kenaston	400 North Town Road, Unit 110	Winnipeg	MB
Portage & Knox	3647 Portage Avenue	Winnipeg	MB
Shell	3206 Preston Avenue S	Saskatoon	SK
Shell	489 15th Street E	Prince Albert	SK
Shell	401 Coopers Boulevard SW	Airdrie	AB
Rexall	3 Stonegate Drive N, Unit 300	Airdrie	AB
Shell	11175 14 Street NE & Country Hills Boulevard	Calgary	AB
Shell	5305 Country Hills Boulevard NE	Calgary	AB
Sobeys Mahogany	7 Mahogany Plaza SE, Unit 1200	Calgary	AB
Sobeys	5309 Ellerslie Road SW	Edmonton	AB
University of Alberta – Student Union Building	8900 114 Street NW	Edmonton	AB
Edmonton Main Branch	10185 101 Street NW	Edmonton	AB
Rexall	12 Aquitania Boulevard W	Lethbridge	AB
Shell	927 St. Albert Trail	St. Albert	AB
Safeway	580 Clarke Road	Coquitlam	BC
Thrifty Foods	1551 Cliffe Avenue	Courtenay	BC
Safeway	11200 8 Street	Dawson Creek	BC
Save-On-Foods	370 Trans-Canada Highway	Ladysmith	BC
No. 1 Road & Steveston Highway	3900 Steveston Highway	Richmond	BC

ATMs Closed

Location	Address	City	Province
Lawtons – Springdale	184 Main Street	Springdale	NL
St. John's General Hospital	300 Prince Philip Drive	St. John's	NL
Bridgewater	493 King Street	Bridgewater	NS
Lunenburg	12 King Street	Lunenburg	NS
Cape Breton University Students Union	1250 Grand Lake Road	Sydney	NS
Chatham	1710 Water Street	Miramichi	NB
Carrefour Laplante	420, 2 ^e Avenue	Iberville	QC
Place Alexis-Nihon	1500, avenue Atwater	Montreal	QC
Canex Montreal	15, rue Jacques-Cartier N, Édifice 129	Saint-Jean-sur-Richelieu	QC
Centennial Mall	227 Vodden Street E	Brampton	ON
St. Paul & Dublin	421 St. Paul Avenue	Brantford	ON
Michael Angelos	4099 Erin Mills Parkway	Mississauga	ON
Lakeview	378 Lakeshore Road E	Mississauga	ON
Orillia Main	1 Mississauga Street	Orillia	ON

Location	Address	City	Province
Beechwood & Mackay	14 Beechwood Avenue	Ottawa	ON
BMO Nesbitt Burns	303 Dalhousie Street	Ottawa	ON
Montreal Road & St. Laurent	470 Montreal Road	Ottawa	ON
Canex	27 Festubert Boulevard	Petawawa	ON
Metallo's Mini-Mart	147 Northern Avenue E	Sault Ste. Marie	ON
Korah & Douglas	331 Korah Road	Sault Ste. Marie	ON
St. Clair & Pharmacy	627 Pharmacy Avenue	Scarborough	ON
Bayview & Romfield	8218 Bayview Avenue N	Thornhill	ON
Daisy Mart	500 Oriole Parkway	Toronto	ON
1200 St. Clair	1200 St. Clair Avenue W	Toronto	ON
King & Dufferin	1211 King Street W	Toronto	ON
Bay & Bloor	55 Bloor Street W	Toronto	ON
Dupont & Christie	659 Dupont Street	Toronto	ON
Waterford	9 Alice Street	Waterford	ON
Woodville	87 King Street	Woodville	ON
Sobeys	1645-B 18th Street	Brandon	MB
Sobeys	1870 Burrows Avenue	Winnipeg	MB
Co-op	77 Vermillion Road	Winnipeg	MB
Portage & Westwood	3330 Portage Avenue	Winnipeg	MB
Shell	12445 Lake Fraser Drive SE, Unit 700	Calgary	AB
Edmonton Main Branch	10199 101 Street NW	Edmonton	AB
Shell Sprucewood	53 Gasoline Alley E	Red Deer	AB
Shell	3760 Kepler Street	Whitecourt	AB
Thrifty Foods	660 England Avenue	Courtenay	BC
Ladysmith	370 Trans-Canada Highway, Unit 16	Ladysmith	BC
Pharmasave Chase River	1273 Island Highway S	Nanaimo	BC
Shell	6369 Hammond Bay Road	Nanaimo	BC
Davie Street Safeway	1641 Davie Street	Vancouver	BC
Shell	482 Range Lake Road	Yellowknife	NT

Business Debt Financing

As at October 31, 2017
(\$ millions)

Province or Territory		\$0– \$24,999	\$25,000– \$99,999	\$100,000– \$249,999	\$250,000– \$499,999	\$500,000– \$999,999	\$1,000,000– \$4,999,999	\$5,000,000 and Greater	Total
Newfoundland and Labrador	Authorized amount	15	33	47	58	111	347	809	1,420
	Number of firms	1,566	738	317	170	164	166	49	3,170
Prince Edward Island	Authorized amount	5	10	22	30	66	208	161	501
	Number of firms	514	224	130	88	92	97	19	1,164
Nova Scotia	Authorized amount	23	43	74	115	230	884	3,412	4,780
	Number of firms	2,524	1,001	469	326	334	395	146	5,195
New Brunswick	Authorized amount	19	38	65	71	130	512	1,390	2,227
	Number of firms	2,177	861	419	208	186	229	78	4,158
Quebec	Authorized amount	217	270	368	564	886	3,249	22,225	27,779
	Number of firms	24,157	6,674	2,315	1,610	1,292	1,498	764	38,310
Ontario	Authorized amount	474	634	885	1,186	2,087	8,327	51,618	65,212
	Number of firms	81,118	15,411	5,710	3,462	3,008	3,885	1,694	114,288
Manitoba	Authorized amount	24	43	35	65	100	514	4,017	4,799
	Number of firms	2,828	1,105	225	189	143	221	145	4,856
Saskatchewan	Authorized amount	41	83	81	122	221	1,040	3,673	5,261
	Number of firms	4,458	2,002	517	355	317	483	138	8,270
Alberta	Authorized amount	175	224	226	313	602	2,798	27,497	31,835
	Number of firms	19,141	5,708	1,510	913	872	1,304	618	30,066
British Columbia	Authorized amount	174	224	263	432	858	4,242	21,187	27,380
	Number of firms	19,081	5,685	1,727	1,223	1,222	1,932	975	31,845
Yukon	Authorized amount	1	3	3	6	9	44	24	89
	Number of firms	120	68	16	15	14	19	3	255
Northwest Territories/Nunavut	Authorized amount	1	3	2	3	15	28	6	58
	Number of firms	97	52	15	11	22	12	1	210
Total	Authorized amount	1,168	1,608	2,072	2,964	5,315	22,193	136,020	171,341

Bank of Montreal Mortgage Corporation Public Accountability Statement¹

Due to the specific nature of its activities, Bank of Montreal Mortgage Corporation (BMMC) provides the following information in response to the requirements set out in section 444.2(1) of the *Trust and Loan Companies Act* and in the applicable regulations.

BMMC, a wholly owned, fully integrated subsidiary of Bank of Montreal, raises funds for mortgage financing by issuing deposit instruments (such as GICs) through Bank of Montreal’s retail branch network and other proprietary channels, where Bank of Montreal acts for BMMC, as well as through third-party channels. BMMC does not operate branches that are open to the public or other facilities at which deposits are accepted or cash is distributed to customers. BMMC employs 13 full-time employees.

The income and capital taxes paid in Canada by BMO Financial Group, of which BMMC is a member, are listed on page 72 of BMO Financial Group’s 2017 Environmental, Social and Governance (ESG) Report and Public Accountability Statement.

BMMC shares BMO’s commitment to community development and philanthropic activity as described in BMO Financial Group’s 2017 ESG Report and Public Accountability Statement. The community development activities of BMMC’s employees are integrated with those of BMO Financial Group and its employees, as described in BMO Financial Group’s 2017 ESG Report and Public Accountability Statement on pages 45–47.

As detailed in BMO Financial Group’s 2017 ESG Report and Public Accountability Statement, business debt financing and programs to improve access to financial services are engaged in by Bank of Montreal for BMO Financial Group. BMMC has no other affiliates in respect of which this Public Accountability Statement is published.

¹ As stipulated by the *Trust and Loan Companies Act*, Bank of Montreal Mortgage Corporation, wholly owned by Bank of Montreal, is required to publish a separate Public Accountability Statement.

BMO Life Assurance Company Public Accountability Statement¹

Due to the specific nature of its activities, BMO Life Assurance Company (BMOLA) provides the following information in response to the requirements set out in section 489.1(1) of the *Insurance Companies Act* and in the applicable regulations.

BMOLA is a wholly owned indirect subsidiary of BMO Life Insurance Company, which in turn is a wholly owned subsidiary of Bank of Montreal. BMOLA is a federally regulated life and health insurance company and is licensed to underwrite life and accident and sickness insurance in all provinces and territories of Canada. BMOLA offers individual life, accident and sickness insurance and individual and group annuities through independent insurance agents and directly to consumers. BMOLA has no employees of its own. All of its activities are conducted by employees of Bank of Montreal.

The income and capital taxes paid in Canada by BMO Financial Group, of which BMOLA is a member, are listed on page 72 of BMO Financial Group's 2017 Environmental, Social and Governance (ESG) Report and Public Accountability Statement.

BMOLA shares BMO's commitment to community development and philanthropic activity, as described in BMO Financial Group's 2017 ESG Report and Public Accountability Statement. The community development activities of BMOLA are integrated with those of BMO Financial Group and its employees, as described in BMO Financial Group's 2017 ESG Report and Public Accountability Statement on pages 45–47.

As detailed in BMO Financial Group's 2017 ESG Report and Public Accountability Statement, business debt financing and programs to improve access to financial services are engaged in by Bank of Montreal for BMO Financial Group. BMOLA has no other affiliates in respect of which this Public Accountability Statement is published.

¹ As stipulated by the *Insurance Companies Act*, BMOLA, wholly owned by Bank of Montreal, is required to publish a separate Public Accountability Statement.

BMO Life Insurance Company Public Accountability Statement¹

Due to the specific nature of its activities, BMO Life Insurance Company (BMOLI) provides the following information in response to the requirements set out in section 489.1(1) of the *Insurance Companies Act* and in the applicable regulations.

BMOLI is a wholly owned subsidiary of Bank of Montreal. BMOLI is a federally regulated life and health insurance company and is licensed to underwrite life and accident and sickness insurance in all provinces and territories of Canada. BMOLI has no employees of its own. All of its activities are conducted by employees of Bank of Montreal.

The income and capital taxes paid in Canada by BMO Financial Group, of which BMOLI is a member, are listed on page 72 of BMO Financial Group's 2017 Environmental, Social and Governance (ESG) Report and Public Accountability Statement.

BMOLI shares BMO's commitment to community development and philanthropic activity, as described in BMO Financial Group's 2017 ESG Report and Public Accountability Statement. The community development activities of BMOLA are integrated with those of BMO Financial Group and its employees, as described in BMO Financial Group's 2017 ESG Report and Public Accountability Statement on pages 45–47.

As detailed in BMO Financial Group's 2017 ESG Report and Public Accountability Statement, business debt financing and programs to improve access to financial services are engaged in by Bank of Montreal for BMO Financial Group. BMOLI has no other affiliates in respect of which this Public Accountability Statement is published.

¹ As stipulated by the *Insurance Companies Act*, BMOLI, wholly owned by Bank of Montreal, is required to publish a separate Public Accountability Statement.

Need help?

Email us at: sustainability@bmo.com

This report contains certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-Looking Statements on page 31 of our Annual Report for a discussion of such risks and uncertainties and the material factors and assumptions related to the forward-looking statements.

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®† Allpoint is a registered trademark of ATM National, LLC

®†† Mastercard is a registered trademark of Mastercard International Incorporated