

Statement on Coal Lending

Coal-fired power is a significant source of electricity generation in many parts of the world. Unabated coal fired power generation is also one of the largest sources of global greenhouse gas emissions and other pollutants.

At BMO, we recognize that the transition to a net zero carbon economy will be a complex endeavour that will happen over time. As energy needs continue to increase, and the energy mix continues to evolve, there will remain a need for affordable energy and support of local communities to promote a smooth and just transition that addresses climate goals while taking other social impacts into account.

This approach establishes a baseline to evaluate extending credit for transactions that involve thermal coal through BMO's Commercial Banking and Corporate Banking lines of business. It does not apply to any other business lines within BMO or to activities involving metallurgical coal used to make iron, steel and other metals.

- BMO will not provide financing as a lender where the proceeds are known to be primarily used to develop a new greenfield coal-fired power plant, thermal coal mine or significant expansion of such plants or mines. Coal-fired power plants utilizing carbon capture and sequestration technology will be considered on a case-by-case basis, taking into account Paris Climate Agreement aligned goals to reach net zero global greenhouse gas emissions by 2050.
- BMO will not lend to new clients that operate significant thermal coal mining (>60% revenue) or coal power generation assets (>60% output, Megawatt hour (MWh)).¹

- BMO may lend to new clients that operate some thermal coal mining ($\leq 60\%$ revenue) and coal power generation assets ($\leq 60\%$ output, MWh) if the client can provide satisfactory evidence that they are reducing or have defined plans to reduce their use of thermal coal (e.g. diversifying, retiring assets), and/or their greenhouse gas (GHG) emissions and/or converting to high-efficiency, low emissions (HELE) or other technologies that lower GHG emissions.
- For existing clients that operate thermal coal mining or coal power generation assets, BMO will continue to support our clients in their transition to lower carbon emissions to achieve net zero aligned goals. BMO will proactively seek opportunities to support our clients' GHG reduction strategies and their management of the risks and opportunities related to a low-carbon transition.

Beyond the foregoing restrictions, BMO has implemented enhanced due diligence approaches that are applied to our Power & Utilities and Metals & Mining sector lending, which specifically call for additional review where there is coal exposure.

We will continue to revisit this policy annually and lower the coal exposure thresholds over time, as we partner with our clients to achieve the transition to a lower carbon economy.

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¹ Revenue or output (being owned and purchased) shares will be determined in the credit adjudication process at the time the loan is made and would be reviewed in annual client review process considering the most recent fiscal year where data is available. Where evaluation of these exposures in the context of M&A, or multiple legal entities and sponsor portfolios is not straight-forward, a review process will be conducted to evaluate the impact of the proposed financing on the transition to a low carbon economy and determine alignment to this policy.