

ENVIRONMENT

As a responsible company, BMO is committed to the principles of sustainable development. In practice, this means that we are focused on delivering economic growth while at the same time serving as stewards of the world around us.

KEY FACTS

194 tonnes

In 2006, 20,967 units of technology equipment were donated or disposed of in an environmentally friendly fashion.



\$375,000

BMO pledged \$375,000 over the next three years to Evergreen to promote environmental stewardship and education.

11.4%

fuel efficiency improvement

BMO replaced our fleet of cars and other vehicles with more fuel-efficient models. As a result we saw our overall fleet fuel efficiency improve by 11.4%.

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Results

- Approved a new Corporate Responsibility Policy to facilitate the management of the environmental and social components of sustainability in a comprehensive manner.
- Continued to develop and implement a sustainable Environmental Management System.
- Continued to encourage the efficient and economically beneficial use of resources.
- Began to assess and report on our efforts to reduce our greenhouse gas (GHG) emissions.

Targets

- Review and benchmark BMO's policies against best practices for protecting biodiversity, supporting ecologically sustainable forest management and respecting indigenous peoples' rights.
- Perform an assessment of climate change opportunities and risks as they relate to BMO.
- Continue to develop baseline data on energy consumption for our Canadian operations.
- Continue to engage and partner with relevant stakeholders, global constituents, advisory groups and other knowledge experts as appropriate on environmental issues.

At BMO, our commitment to sustainable development means that we integrate respect for the environment into our business growth strategy and practices, and work toward the reduction of our environmental footprint. It means too that we encourage our employees to join us in being stewards of the world we share.

Environmental Policy

This year, based on a review of industry best practices, it was concluded that BMO's environmental and social responsibility policies should be combined into one policy that reflects the concept of sustainability. Given the interrelated nature of the various social and environmental components, the new Board-approved Corporate Responsibility Policy facilitates their management in a comprehensive manner.

This policy includes key requirements with respect to:

- applying the principles of honesty, integrity, fair dealing and high ethical standards to all aspects of corporate behaviour;
- balancing the interests of stakeholders with those of the enterprise; and
- identifying, adopting and integrating corporate social and environmental best practices, where appropriate, into management's decision-making processes.

Environmental Governance

Environmental Management System

In 2004, we launched an initiative to develop and implement a sustainable Environmental Management System (EMS) – a tool for managing the impacts of an organization's activities on the environment. An EMS provides a structured approach to planning and implementing environment protection measures, making the implementation of environmental policy an integral part of everyday operations. Components include assessing environmental impacts, setting targets to reduce these impacts and planning how to achieve the targets.

This year we continued to develop the different components of our Environmental Management System and focused on areas where improvements could be made.

Examples of this work are:

Reduce, Reuse, Recycle

Understanding that environmental stewardship begins at home, we have programs in place to reduce solid waste and conserve energy. Our office tower locations participate in recycling programs for paper, aluminum cans and bottles. At the same time, we operate a *Technology Disposal Program* (see page 35).

213,000 trees

By reducing travel in favour of video-conferencing and teleconferencing, we have reduced greenhouse gas emissions by 8,229 tCO₂e*, the equivalent of planting 213,000 tree seedlings and growing them for 10 years.

Reducing Greenhouse Gases

In keeping with our commitment to assess and be accountable for our environmental footprint, BMO has begun to report on our efforts to reduce our greenhouse gas (GHG) emissions. As a result of a *Travel Directive* asking employees to utilize tools such as video-conferencing and teleconferencing whenever possible, we have reduced our greenhouse gas emissions by 8,229 tCO₂e* in 2005. This is the equivalent of taking 1,800 passenger cars off the road for one year or planting 213,000 tree seedlings and growing them for 10 years.

In November 2004, we updated our *Technology Replacement Directive for Personal Computing Devices* calling for the replacement of CRT monitors with significantly more energy-efficient LCD monitors, which consume 50% less energy. To date, we have replaced 7,877 monitors, thus reducing greenhouse gas emissions by 309 tCO₂e.

Paper

In 2005, BMO entered into a partnership with **Iron Mountain**[®], a leading records and information management service, to introduce secure shredding/recycling containers at all BMO branches in Canada and our office towers across North America. In 2006, the first complete year of the program's operation, employee efforts resulted in 7.9 million lbs of paper being recycled, the equivalent of

saving 67,500 trees. Going forward, we will continue to work with Iron Mountain, as well as our other suppliers, to round out our information on paper usage and recycling.

We also began to print all of our BMO Mutual Funds regulatory reports on paper made from 100% post-consumer waste and using biogas energy in its production. Biogas energy is an alternative "green energy" source produced from decomposing waste collected from landfill sites. In addition to reducing greenhouse gas emissions, we have reduced solid waste, air and water pollution and saved over 2,600 mature trees from being harvested in 2006.

Fuel Efficiency Criteria in Fleet Replacement Program

In the past several years BMO replaced our fleet of cars with more fuel-efficient vehicles. As a result we saw our overall fleet fuel efficiency improve by 11.4%. Although the total mileage travelled increased in 2005, the improved fuel efficiency reduced fuel consumption by 35,200 L (relative to the fuel consumption rate of the older, less efficient fleet). The emission reductions associated with this are 87 tCO₂e, the equivalent of planting 2,300 tree seedlings and growing them for 10 years.

**In conducting our business,
we use sound risk management
practices to identify, evaluate and
monitor environmental impacts.**



Learning to be Green

BMO has pledged \$375,000 over the next three years to Evergreen, an organization that is at the forefront of Canada's urban greening movement. Founded in 1990, Evergreen provides individuals and community-based organizations with the tools and knowledge to become stewards in their own communities, focusing on a "how-to," solution-based approach that addresses environmental, economic and social challenges affecting neighbourhoods, towns and cities.

BMO's support will go toward the establishment of six outdoor training institutes for teachers in Toronto, Halifax and Winnipeg as part of Evergreen's *Learning Grounds* program. These facilities allow children to create a natural environment on their school grounds with projects such as planting trees and planning ponds. The program helps educate children about protecting the environment in their own communities. Since *Learning Grounds* was introduced in 1993, it has made an impact on more than a million Canadian schoolchildren.

* tCO₂e = tonnes of carbon dioxide equivalent



Protecting Canada's Boreal Forest

In partnership with five other Canadian banks, Environment Canada and the Network on Linking Environmental Performance to Financial Value, BMO is participating in an initiative to identify and evaluate global best practices regarding the impact of lending and procurement practices, policies and strategies on the sustainability of Canada's boreal forest region.

ONLINE

Visit us online:
www.bmo.com/community

Environmental Risk Management

In conducting our business, we use sound risk management practices to identify, evaluate and monitor environmental impacts. BMO's lending policies are applied in accordance with the laws and regulations of the jurisdictions in which the Bank operates. In providing credit, the Bank takes reasonable precautions to ensure that, as best we can, we deal with environmentally responsible counterparties.

Our lending processes assess a borrower's existing or potential exposure to environmental liability, the environmental impact of its requirements and the magnitude of the effect of any risks or potential adverse environmental impact on the borrower's securities and financial capacity.

Our lending processes for real estate and for environmentally sensitive industries include a detailed evaluation or audit of all relevant operations and property, current environmental liability exposures and the soundness of a borrower's environmental management practices.

Equator Principles

BMO continues to adhere to the *Equator Principles*, applying environmental and social criteria in the consideration of financing for projects with

capital costs in excess of US\$10 million.

Subsequent to our participation in the *Equator Principles* review this past year, we updated our policies to reflect the new guidelines. In Canada, this fiscal year, we financed four new projects – two category B projects and two category C projects. In the United States, we booked two new projects. Both were category B projects.

Category A projects are expected to have significant adverse social and/or environmental impacts that are diverse, irreversible or unprecedented.

Category B projects are expected to have limited adverse social and/or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Category C projects are expected to have minimal or no adverse impacts.

Climate Change

BMO acknowledges the risks associated with this emerging issue. Changes to the regulatory environment flowing from the Kyoto Protocol and other legal changes (in the short term) and the ability of firms to cope with climate change (in the long term) will impact a number of our business clients. We will review our business clients' adherence to new environmental rules and regulations for regional, national and international markets as they emerge. This in turn

will affect the Bank's risk assessment for lending. Potential environmental impacts will continue to be reviewed as part of the overall risk assessment for any credit transaction.

Carbon Disclosure Project

BMO is a signatory to the *Carbon Disclosure Project (CDP)*, a coalition of the world's largest institutional investors seeking disclosure on the business implications of climate change. In 2006, BMO was a member of the Conference Board of Canada CDP Canada Report Advisory Group. In the Report, BMO President and CEO Tony Comper noted, "This initiative clearly focuses and informs corporate Canada's thinking on global climate change, one of the most unsettling prospects faced by modern humankind."

Through the process of collecting data regarding our own CO₂ emissions we are gaining a much better understanding of the quantitative impacts business operations have on climate change, and how evaluating these impacts can lead to economic opportunities.

Environmental Procurement Practices

We support business relationships with suppliers and subcontractors who share our commitment to respect and protect the environment. BMO's

Procurement and Strategic Sourcing Group requests information on the environmental practices of suppliers as part of our bidding process and procurement policy. We anticipate continual improvement of our programs to encourage the efficient and economically beneficial use of resources.

Environmental Reporting

This year we are using the 2006 Global Reporting Initiative (GRI) indicators to report on our environmental performance (see *Reporting Guide* page 40).

United Nations Environment Programme Finance Initiative – GRI Working Group

BMO is participating in this multi-stakeholder group recruited to test the indicators in practice, develop technical protocols to help understand each

indicator and review and merge the environmental and social components of the Financial Sector Supplement.

Sustainable Development: A Global Issue

Recognizing that sustainable development is an issue that impacts every citizen of our world – and demands the commitment of many – BMO continues to collaborate with industry and global constituents.

United Nations Environment Programme Finance Initiative (UNEP FI)

BMO is a signatory to the *UNEP Statement by Financial Institutions on the Environment and Sustainable Development*. As a signatory, we acknowledge globally recognized principles of environmental protection and sustainable development.

BMO is an active member of the UNEP FI North American Task Force (NATF). Our participation this year included attendance at the UNEP FI Annual General Meeting and all NATF meetings.

NATF key achievements in 2006:

- Published “Climate Change: Risk to Bank Loans” – a study analyzing the major risks posed by climate change to debtors, the macro impact of climate change on financial risk and the specific debt sectors most likely to be affected.
- Initiated a study on green financial products, specifically assessing opportunities in the U.S. and Canadian markets.

TECHNOLOGY DISPOSAL PROGRAM (CANADA) 2001 – 2006

Our Technology Disposal Program is designed to safeguard the privacy and confidentiality of our customers and employees, and minimize the impact of unwanted hardware on the environment. When possible we donate equipment, including computers, fax machines and cell phones, to charitable organizations. Non-usable equipment is disposed of using environmentally friendly methods. In 2006 alone, 194 tonnes of technology equipment were donated or disposed of in an environmentally friendly fashion.

Totals (last six years)

	Donated	Environmentally Disposed	Total
Desktops	10,683	25,050	35,733
Monitors	8,122	12,899	21,021
Notebooks	312	10,318	10,630
Other	700	15,268	15,968
TOTAL	19,817	63,535	83,352

Data for Canada only (2001 – 2006)

	2001			2002			2003			2004			2005			2006		
	Donated	Environmentally Disposed	Total	Donated	Environmentally Disposed	Total	Donated	Environmentally Disposed	Total	Donated	Environmentally Disposed	Total	Donated	Environmentally Disposed	Total	Donated	Environmentally Disposed	Total
Desktops	2	1	3	4,928	3,500	8,428	603	710	1,313	3,846	1,477	5,323	1,174	11,595	12,769	130	7,767	7,897
Monitors	517	303	820	3,258	1,404	4,662	452	927	1,379	2,428	1,187	3,615	898	2,525	3,423	569	6,553	7,122
Notebooks	0	1	1	117	296	413	19	89	108	92	194	286	75	5,208	5,283	9	4,530	4,539
Other	58	798	856	208	5,137	5,345	47	2,261	2,308	293	3,161	3,454	48	2,548	2,596	46	1,363	1,409
TOTAL	577	1,103	1,680	8,511	10,337	18,848	1,121	3,987	5,108	6,659	6,019	12,678	2,195	21,876	24,071	754	20,213	20,967