

Carbon Footprint Symposium

BMO Financial Group

Jim Johnston

Director, Environmental Sustainability

BMO Financial Group – a few facts

- Established in 1817 as Bank of Montreal, BMO Financial Group is a highly diversified North American financial services organization
- Financial data for period ending October 31, 2009
 - Assets - \$388 billion
 - Revenues - \$11.1 billion
 - Net Income - \$1.8 billion
- Other data
 - Employees – 36,200
 - Branches – 1,195 (900 Canada, 295 USA)
 - Office Buildings/Critical Facilities – 57 (enterprise-wide)
 - Real estate occupied – approx. 14 million square feet

Our Guiding Principle

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We aim to maximize total shareholder return and balance our commitments to financial performance, our customers, our employees, the environment and the communities where we live and work.

Commitment to Environmental Sustainability

BMO Financial Group is Committed to Environmental Sustainability

Our Corporate objectives include:

- Achieve carbon neutrality enterprise-wide with respect to emissions from occupancy of real estate premises and transportation by employees for business purposes – in 2010
- Reduce absolute emissions by 5% versus 2007 baseline – by end of 2010

Our Carbon Neutral strategy:

- **Emissions reductions** - our focus on reducing emissions for the longer term is the most important aspect of our sustainability efforts
- **Renewable Energy Purchases** – support the development of renewable energy sources through purchases and use in our retail branches/office locations
- **Carbon Offset Credits** – purchase high quality carbon offset credits to close the remaining gap – Greening Canada Fund

Carbon Footprint

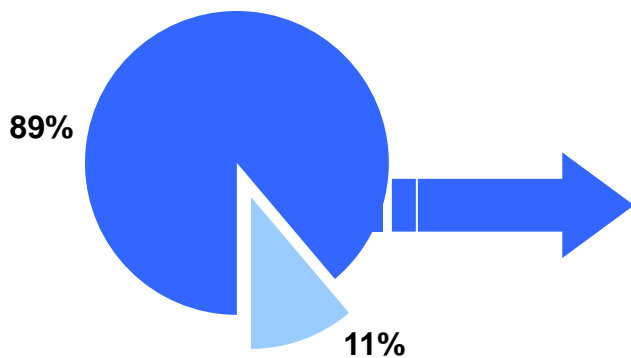
Focus on establishing baseline for areas of significant impact

Real estate facilities occupied

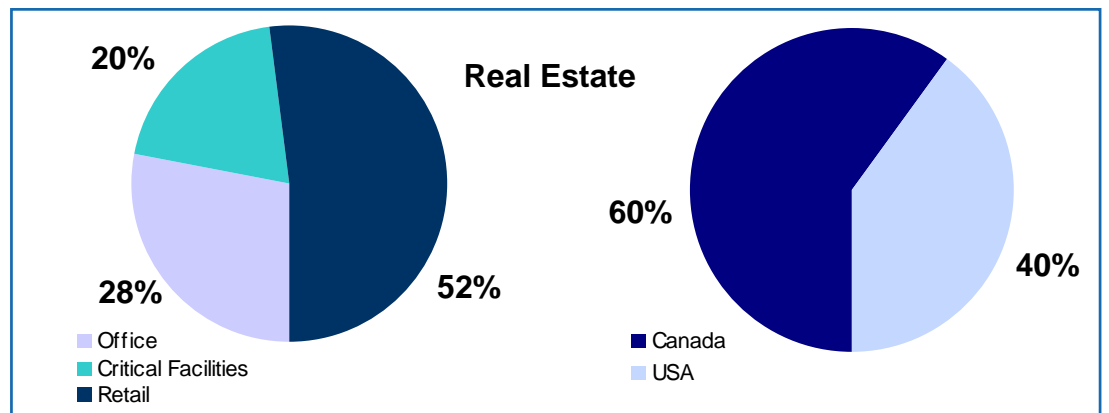
- 14 million square feet occupied
- 56% leased versus 44% owned
- Diverse set of facilities including retail branches, office towers and critical facilities (e.g. data centres)

Transportation by employees for business purposes

- Air & ground (rail/auto) transportation
 - Air – 64.2 million kms (fiscal 2009)
 - Ground – auto (service vehicles, rental cars, employee vehicles)
 - Ground – rail



■ Real Estate - Fuel Combustion & Purchased Electricity
 ■ Transportation (Air, Ground - Auto/Rail)



Some of the challenges...

It all starts with the data...

Data

- Completeness
- Accuracy
- Timeliness of receipt (internal and external - e.g. suppliers)
- Manual effort required to manipulate

Human Resources

- Limited in number
- Dealing with multiple priorities
- Varying levels of expertise
- Reliance on 3rd parties to bridge knowledge gaps

Portfolio

- Complex and diverse (retail branches, office towers, critical facilities and variety of transportation methods)
- Real estate is constantly changing (new locations, square footage, closures, etc.)

Technology/Systems

- Transition from spreadsheets to 3rd party tool
- Acquisition, functional testing, acceptance
- Data loading/checking
- Ongoing fixes, adhoc requests

Elements contributing to our success

- Corporate Support
 - Buy-in and support from executive levels of the organization – Management Board level approval and in particular our CEO Bill Downe
 - Budget approval for Environmental Sustainability program
- Human Resources
 - Additional resources added to carry out the work effort
 - Approval to engage of 3rd party experts to fill knowledge gaps and advance our own efforts
- Technology
 - Acquisition of carbon emissions calculation tool – while calculating an emissions footprint can be done in spreadsheet format, it's difficult to sustain. There is no substitute for a functional tool, compliant with one of the internationally recognized standards
- Culture
 - Passionate and engaged employees
 - Acknowledgement of the need for continuous improvement and recognition that this is a program (journey) and not a project (one-time event)

How has this changed our behaviour?

Demonstration of Leadership – “walking the talk”

- Internally
 - Upgraded building standards – learning from our LEED branches experience
 - Minimum building sustainability standards and “green leases” for lease renewals/new lease opportunities
 - More efficient vehicles for our service fleet (e.g. hybrids)
 - Formal Environmental Management system implementation – ISO 14001
 - Sustainable Procurement process (competitive bids)
- Externally with our stakeholders
 - Investments in renewable energy (8% of enterprise emissions currently mitigated by this method – expect it to grow)
 - Founding investor in the Greening Canada Fund, the first voluntary carbon emissions reduction fund exclusively aimed at Canadian corporations
- Expanded our approach
 - Business case analysis and linkages to sustainability
 - Strong relationship between cost savings and sustainability efforts
 - Monetizing the “opportunity costs” of carbon offset credits

How has this changed our behaviour? – specific example

Carbon Neutrality goal is a form of self regulation and comes at a cost

Historical

Real Estate

- Project implementation focusing mainly on upfront capital costs versus total cost of ownership or more complete lifecycle approach
- Technical standards focused mainly on functional elements (e.g. branding, functional use)
- Cheap and abundant energy - little regard for emissions generated or cost of carbon in business case analysis

Present/Future

Real Estate

- Broader view of build elements with concerted focus to better understand initial capital costs as well as ongoing operating costs
- Ongoing assessment of technical building standards incorporating sustainability elements
- Emissions reductions opportunities now a prime focus with “Cost of Carbon” now factored into business case analysis
- Renewable energy focus

Stakeholder Feedback – some examples

“In 2009, BMO scored among the top 10% of responding companies in the Global 500 Carbon Disclosure Leadership Index, the only Canadian organization to make this global list. This recognition demonstrates that leading-edge firms can succeed in managing their greenhouse gas emissions, even in difficult economic times.”

Graham Campbell, Associate Director, Energy, Environment and Transportation, The Conference Board of Canada

“BMO’s leadership on the Greening Canada Fund and our other environmental initiatives is helping Canadians to live and work more sustainably. We appreciate and admire BMO’s willingness to put its financial and intellectual capital into innovative projects like Greening Greater Toronto and DiverseCity: The Greater Toronto Leadership Project that will serve as models for programs in other Canadian communities.”

Julia Deans, CEO, Toronto City Summit Alliance

“I was delighted to hear that BMO will access all its energy [in Nova Scotia] via Bullfrog 100% renewable energy sources. This demonstrates superb leadership from the corporate sector as well as care for the earth and makes me feel a whole lot better about being a BMO client. Thank you!”

Rev. David Hart, Lead Minister, Bedford United Church, Bedford, Nova Scotia

What's next for BMO?

Internally

- 3rd party assurance/verification of our 2009 emissions
- Assess progress against targets (absolute emissions reduction of 5%)
- Execute remaining elements of our Carbon Neutral strategy for 2010
 - Close the gap for outstanding emissions to be neutralized
- Restate targets and communicate as necessary
- Optimize Carbon Neutral strategy costs – e.g. shift from carbon offset credits purchases to long term emissions reductions initiatives

Externally

- Continue to follow changes to regulatory requirements/legislation and understand impacts on the enterprise and our customers
 - Carbon taxes? Cap & trade?
- Continue to improve reporting content/quality
- Continue to demonstrate leadership in this area and raise awareness with our customers and stakeholders

Questions?

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