

## Partnership for a Net Zero World Transcript

Michael Torrance:

Welcome to Sustainability Leaders. I'm Michael Torrance, Chief Sustainability Officer with BMO Financial Group. On this show, we will talk with leading sustainability practitioners from the corporate, investor, academic and NGO communities to explore how this rapidly evolving field of sustainability is impacting global investment, business practices, and our world.

Disclosure:

The views expressed here are those of the participants and not those of Bank of Montreal, its affiliates or subsidiaries.

Darryl White:

[French 00:00:47]. Thank you everyone for joining us for today's very important discussion. As we begin, I'd like to acknowledge that I'm speaking to you today from the traditional territory of many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat People. And also we are home to many diverse nations, First Nations, Inuit and Métis people. The first peoples of North America understand that our relationship with the land is one of stewardship, and that issue of stewardship is indeed why we are here today. We're meeting today to discuss the most important global issue that we face. And no today I'm not talking about the pandemic as pressing and important as that feels here and now. I'm talking about climate change and the future of our planet.

Darryl White:

There is a pressing need for action to address climate change by reducing greenhouse gas emissions to achieve 2050 targets, even as the demand for energy grows in order to sustain improvements in the standards of living around the world. Helping our clients adapt and thrive through this transition requires a thoughtful, balanced, and accelerated approach, informed by science, common sense and bold but practical solutions. Our clients are ready to act, but many, especially smaller and medium sized companies are seeking advice and expertise to inform their response. Within this challenge is an opportunity for BMO to make a difference, to help our customers and drive long-term value and growth at the same time. And so our ambition is clear; to be our client's lead partner in the transition to a net zero world. Our optimism for the future is founded on a conviction that we will be able to solve this problem by applying the same entrepreneurial spirit and innovation that we've helped grow for over two centuries.

Darryl White:

The stakes are indeed high and so is the unprecedented alignment for action that we see across governments, business communities, and individuals working to make the change. And it's going to take all of us working together. You can count on BMO helping to lead the way. We are aware of the role that we must play as part of the solution as we have demonstrated over decades. We launched Europe's first ESG fund in 1984. We achieved carbon neutrality in our own operations in 2010 and have sustained it ever since. Over the years, growing recognition of climate change and the urgency to address it has driven us to do more and to aim higher. We've engaged deeply in the learning process, bringing on strategic talent with specialized expertise in sustainability. People like Kelly [Deaton 00:04:23], who

serves as Canada's head of delegation to the committee of the International Standards Organization or ISO working on environmental management standards.

Darryl White:

The same person who chairs Canada's team working on the ISO is standardizing the field of sustainable finance. Our people are globally recognized for their efforts. Our teams are working today very closely with global peers, studying the challenges and drawing on the insights of both our clients and sustainability partners to share everything that grows the good in this space as we attempt to lay the path forward. BMO was an early adopter to the Equator Principles, and recently, as recently as last month, became one of the first Canadian banks to adopt the UN Principles for Responsible Banking. Innovative partnerships with our clients have produced a variety of novel green financing initiatives, including Canada's first sustainability-linked loan and just last month, Canada's first labeled Green Loan. In short, we are deeply invested in the issue. We are in this for the long haul, and we are in this to help shape the future. And we are strongly positioned to help our clients to make the shift and the transition to that future. And that is the important concept. The concept of transition.

Darryl White:

We're also signatories to the 2019 statement of investor commitment to support a just transition on climate change. In other words, one that takes full account of the social dimension of the transition to a resilient and low carbon economy. There's no doubt this transition will be disruptive. The stakes are high for our clients and while failure to act is not an option, the sole answer cannot be abrupt and disruptive change to individual industries that threaten the livelihoods of the communities that we serve. One thing is clear therefore, the transition will require the skills of many, including ourselves and the expertise to make sure that we're supporting change that is both bold and just. Our response should not, cannot be either or. We must meet the energy and economic needs of today and make the investments needed to foster the low carbon economy of the future. So that is our commitment as well.

Darryl White:

We believe that advancing our efforts is core to our purpose at BMO to boldly grow the good in business and life. Helping businesses and individuals adjust to the changes brought on by climate change, that's how we define growing the good, and that is why we invited you here today as we announce BOM's ambition, our net zero ambition, a plan that will see us do more and aim higher in partnership with our clients. Moments ago, we issued a press release that spells out our ambition. Over the next five years, we will more than double our current sustainable finance commitment deploying \$300 billion in sustainable lending and underwriting by 2025. Over the same time, we will mobilize an additional 700 billion through responsible investing and ESG advisory services.

Darryl White:

We have developed unique climate analytics capabilities and in-house expertise, which we will be leveraging in new ways to be our client's lead partner on our shared path to a net zero world. And we'll have more to say on that in a moment. And crucially, in addition to our commitment to drive down our own emissions as an organization, we are targeting net zero financed emissions in our lending by 2050 in partnership with our clients. The net zero ambition that we are unveiling today will be the driving force for many years. We're very excited to share with all of you our plan, and we recognize how important it is that we achieve it together with our clients. In a moment I'm going to call on my colleagues Cam Fowler and Sharon Haward-Laird to take us through the strategy in a bit more detail.

Clearly this is a strategic imperative for BMO, and Cam is our chief strategy and operations officer, and this is a subject that he is passionate about.

Darryl White:

Sharon is our newly appointed general counsel, and she now has overall responsibility for our sustainability program at BMO as Simon Fish did before Sharon. And let me take a moment to thank Simon for his years of service guiding BMO's sustainability program. Simon is playing a key role in our path forward today, and we would not be here where we are today without Simon's commitment and leadership. Thank you Simon.

Darryl White:

As Simon's successor as general counsel, Sharon has accountability for areas such as legal and regulatory risk, reputational risk and business conduct, which is perfect because that means we have aligned sustainability and strategy with all of these important and interrelated issues. So at this point, I'm going to ask Cam and Sharon to walk us through today's announcement. And cam, let me hand it over to you to begin.

Cam Fowler:

Well, thank you, Darryl and good morning. I'm thrilled to be with you all today to provide more context and detail on BMO's climate strategy. We all agree Darryl said, climate change is the greatest global challenge we face in the decades ahead. Science is irrefutable, the need for accelerated greenhouse gas emission reduction, clear timelines tight, time for bold action is now. Over the past four decades, BMO has made significant progress in driving towards a more sustainable world. We committed 400 billion to sustainable finance in 2019, including lending, underwriting and investing 150 billion in companies pursuing sustainable outcomes and aligning 250 billion in client investments to sustainable objectives. And I'm very proud to say that in 2020, we made remarkable progress towards these goals achieving 71% of our lending and investing goal and exceeding our client investment target. We also achieved 100% renewable electricity across global operations in 2020. BMO Global Asset Management became a founding member of the Net Zero Asset Managers initiative. And as Darryl just mentioned, this year we've signed the UN Principles for Responsible Banking.

Cam Fowler:

As we look ahead, banks have a critical role to play in our transition to net zero centered on four critical areas. First supporting the investment needed to fund the transition to zero. Public funds are not enough for the nearly 2 trillion funding required to reduce annual CO2 equivalent emissions by the nearly 30 gigatons required. Private financing will be needed and that's where we come in. Second, we can facilitate the intermediation of risk by providing leadership towards more sustainable corporate practices. In our role as active investors and advisors. Third, we can help solve challenges which include simplifying and aligning standards and reporting. And finally, we can role model environmental sustainability through pursuing absolute reductions and operations emissions, offsetting emissions through carbon credits and renewable energy and shifting organizational culture to promote sustainable practices.

Cam Fowler:

Again, we believe that banks globally and BMO specifically have a tremendous opportunity to drive lasting and positive impacts on climate change. At BMO, the cornerstone of our strategy is to be our

clients' lead partner in the transition to a net zero world. To deliver on this ambition, we have laid out a clear plan. First, we're aligning BMO's strategy and operational footprint with our net zero goals. In support of this alignment, we will set a new target to reduce operational greenhouse gas emissions by 30% by 2030, building on BMO's carbon neutral operations and matching 100% of global electricity use with renewable energy purchases. We're also targeting net zero emissions in our lending by 2050. We will analyze our finance emissions in key sectors, such as energy, commercial real estate, agriculture, transportation, and metals and mining and we'll report on progress annually starting this year.

Cam Fowler:

Next, we will partner with clients to advance their sustainability objectives by more than doubling our commitment to mobilize sustainable finance. This includes 700 billion in assets under advisement from BMO Global Asset Management, responsible engagement, overlay services, REO and EFG designated and responsible labeled funds. And 300 billion in capital to clients pursuing sustainable outcomes through green, social sustainable lending, underwriting and advisory services and investments. And finally, we will leverage our leading analytics and in house expertise to create the BMO Climate Institute. I'll now turn things over to Sharon to share further details on this new and innovative platform. Sharon, over to you.

Sharon Haward-Laird:

Thank you, Cam and good morning everyone. I'm pleased to share the details on BMO's Climate Institute, which is a platform that will be unique BMO and drive climate action, both within the bank and externally with our clients and stakeholders. The BMO Climate Institute will drive thought leadership and collaboration by bringing together science, analytics, expertise, and partners. It will focus on understanding and managing the financial risks and opportunities related to climate change and the transition for both clients and the bank. Critical to the work of the BMO Climate Institute is a new climate analytics platform built by BMO's AI labs and the sustainability team. It leverages geospatial data and scientific modeling to generate actionable insights on the impact of climate change on physical assets. The platform will use advanced technology, including Climate Engine geospatial data and leading climate science modeling.

Sharon Haward-Laird:

In piloting new and innovative approaches like this, BMO will pioneer the integration of climate science in the financial sector. All of this will be done with the goal of being a sophisticated partner with our clients to identify solutions and drive towards a net zero world in partnership with them. Our ambition is to be the premier advisor for our clients and other stakeholders, both on climate risk, but equally on climate related opportunities. As Cam mentioned, a significant amount of capital will be required to finance the transition. And this also creates an opportunity to grow our business. BMO wants to be there to work with our clients on this opportunity while boldly growing the good in business and in life. We are committed to helping our clients adapt to climate change impacts and contribute to the transition to a net zero global economy with tailored products, services, and solutions.

Sharon Haward-Laird:

Darryl mentioned a number of specifics in his remarks, including BMO leading in the development of Canada's first sustainability linked loan, and Canada's first labeled Green Loan. BMO has also shown leadership in our sustainable bonds program. And just this week we issued our second sustainable bond, a \$750 million social bond focused on women in leadership. We will continue to leverage this leadership

with our clients, to engage with our clients and help them advance their climate adaptation strategies and be a one-stop shop for our clients to partner on their sustainability goals. Sustainability has been a long standing priority for BMO, demonstrated by our recognition as one of the world's most sustainably managed companies by The Wall Street Journal, and our position as top scoring North American bank for both the Dow Jones Sustainability Index and Corporate Knights Global 100 Most Sustainable Corporations.

Sharon Haward-Laird:

We understand the critical role we play in curbing climate change and partnering with our clients through this change. I would now like to introduce Michael Torrance, BMO's Chief Sustainability Officer. I work closely with Michael and there's no one in our organization who is more passionate about today's announcement than he is. Michael is going to lead us through a discussion with a distinguished group of panelists on this important work. And so, Michael, let me hand it over to you to introduce our guests.

Michael Torrance:

Thank you very much, Sharon and thank you, Darryl and Cam for your remarks. This is really an exciting time to be working in sustainability at BMO and particularly the announcement of the new BMO Climate Institute, I think is really going to accelerate our leadership position on sustainability and climate more specifically. An announcement like this to me demonstrates that BMO is really living its purpose and is continuing to integrate sustainability into our business strategy. And it's really demonstrating this by a commitment to working with our clients as they adapt and thrive in this global transition to a lower carbon future that we all know must happen. But to our audience, you've heard our commitment and we all have a good understanding of how high the stakes are when it comes to climate change and the need for real world action. So let's shift now to a discussion with a very special panel of guests to unpack the meaning of this net zero ambition.

Michael Torrance:

Today for that discussion we have with us, Dr. Sean Cleary, who is the BMO professor of finance for the Smith School of Business at Queen's University. And he's also executive director of the Queens Institute for Sustainable Finance that BMO was a proud founding sponsor of. We also have Eric Usher, who is the head of the United Nations Environment Programme Finance Initiative or UNEP FI. We have Kristi Mitchem, who's head of BMO's Global Asset Management business. And of course, Darryl White, who is CEO of BMO Financial Group.

Michael Torrance:

So let's get right to our questions for the panel. Darryl, I'm going to start with you first. You've been a real champion for BMO's purpose, which as we know is to boldly grow the good in business and in life. And today we're announcing as part of our purpose, a goal to more than double our sustainable finance commitment as well as a commitment to work with our clients towards a net zero world. So how does all of this in your view align with BMO's purpose and business strategy and the goal to promote long-term value? How do you think about opportunity in relation to these commitments?

Darryl White:

Yeah. Well, thanks for the question, Michael, and in short, effectively I think you asked how does it align to our purpose. And immediately I would say, I don't know of many things that could align better to our purpose because when we set out almost three years ago now, in 2018 to define our purpose to boldly

grow the good in business and life, we said that there were three core pillars, and one of those pillars was doubling the good for a sustainable future. And so at the time we set out clear objectives that we could work with SDGs and enable the transition to a net zero carbon economy, although we weren't talking about it in those terms, and we set specific financial goals, if you remember Michael at the time as well.

Darryl White:

And what we've done since then is we've really blown through most of those goals on sustainable finance for 2025. So we took the opportunity today to say, all right, it's time to double down on that and figure out how much more we can do and figure out how we can broaden the mandate, not just for ourselves, as I talked about earlier, how we can help define the path for our clients using analytics, using our work, using our advice. So it's more than purpose, it's more than money. It's all aligned though. It's got the financial commitments that we've made, the incremental 300 billion, the 700 billion mobilized through ESG funds and advisory services and laddering all the way up to what we said three years ago now to double the good. To me, the alignment question you asked, the answer is hand in glove on alignment.

Michael Torrance:

Thanks Darryl for that. Kristi, I'm going to go to you next. So as CEO of BMO Global Asset Management, Kristi, you regularly advise and engage on behalf of investors, asset owners and institutional investors. What in your view does climate action mean to institutional investors and the investor community generally? And on a related point, maybe you can touch on why it was important in that context for BMO GAM to join the Net Zero Asset Managers Alliance this year.

Kristi Mitchem:

Yeah, sure. I mean, I guess the very simple answer is it's now much, much more than a tick box. I think institutional investors are deeply committed to the issue of climate change. In fact, in a recent survey that we fielded to a number of our clients in the sustainable space, climate action and climate change really came up as their number one area of concern. And I think that really is a reflection of the systemic nature of the climate problem. It touches every company and every sector in every industry and every country around the world. In terms of specifically how our clients look to link up what they want to do on climate change with their portfolio, I would say it's really three things, to varying degrees depending upon who the client is and where their commitment level is around climate action.

Kristi Mitchem:

But I would say the first thing they really want to do is they want to understand their exposure. And that means more than just high-level statistics on the carbon footprint of their portfolio. It means being able to quantify what their exposure is to carbon intensive industries and companies, and also being able to assess the risk associated with those positions. Secondly, I think institutional investors want to drive capital towards progress. They want to be investing in companies which are actually making a difference in not just how we're transitioning, but how quickly we're transitioning. And I think of course that includes funding companies that are working on technologies associated with reducing emissions more broadly.

Kristi Mitchem:

And then I would say, lastly, I think our clients want to use their voice. They recognize that they have a powerful role to play because of their ownership stakes. And they want to see companies engage with them, and they want to work with those companies to really make improvements. I think many of the institutional investors that we work with recognizes that simply shifting their investments to lower carbon intense industries doesn't really make any difference in real-world emissions. So it's really important that that improvement angle comes into the dialogue. So again, it's understanding exposure, it's supporting the transition to a lower carbon and lower emission environment through capital and then using their voice.

Kristi Mitchem:

Maybe just coming back to the second question you posed, which really was around the Net Zero Asset Management Initiative. I think the reason that we wanted to not just become involved in that, but lead it is because we really recognize that we won't get to net zero if we don't involve asset owners, asset allocators and capital providers. And that's just critical. And I think as BMO GAM, I felt strongly that we needed to signal two things. One, we needed to signal to our clients that we're in the race to net zero with them. And two, we needed to signal that we will meet them wherever they are on that journey as a trusted advisor and advocate.

Michael Torrance:

That's a really great context, Kristi. And just to follow up with you, how important is it for companies to be transparent in terms of their disclosure, particularly in relation to investors on climate impacts, measurement and disclosure of emissions, for example, and their general approach to climate change?

Kristi Mitchem:

It's critical. When the stakes are this high, I think none of us can afford to drive blind. And so in order to make intelligent decisions around capital allocation, we need information that can help us assess not only climate risks, but also climate opportunities. The other thing that I think is incredibly important, Michael, is that just like you wouldn't drive blind, you wouldn't try to go forward looking in the rear view mirror only. So not only do we actually need disclosure and information, but we really need that information to be forward-looking. We need to understand not just the emissions footprint today, but where it's going 10, 20 years now, and also the steps that will back up that progression. And I think if there's a good news story here, it's that we are seeing massive improvements in the quality of data, particularly as we look at those companies, which really are targeted by the Climate Action 100, which of course represents over 80% of global greenhouse emissions, we are seeing real improvements in data and it's super encouraging.

Michael Torrance:

Thanks, Kristi. Now let's switch to you, Eric. You're overseeing the UNEP FI Initiative and in doing so, you're really setting a high watermark for sustainable banking. And early on, you were behind the principles for responsible investment as well, which has helped to pioneer what has become a huge market for responsible investment. So from that global perspective, how in your mind does the net zero strategic commitment of a bank and an asset manager like BMO fit into UNEP's approach? And what role would you see generally for banks in meeting UN climate goals?

Eric Usher:

Okay. Well, thanks very much, Michael and Darryl and the whole team. I want to start with congratulating BMO for being very ambitious. And I think as we've heard from all of you in different ways, this really is about ambition. This is about the role of the finance sector and the role of a finance leader like BMO leaning in and helping clients actually go towards this new transition rather than standing back.

Eric Usher:

And let me try to frame a little bit, I would say recent history. We would say the modern age of sustainable finance started in 2007 where the landmark Freshfields report for the first time defined that within fiduciary duties, investors could start to integrate environmental, social and governance issues or considerations within their investment decision making. It was a could. Well, since then, that has evolved from a could to a should, to a must in many jurisdictions. And so we're seeing a lot of progress from a risk perspective, taking these issues into account. But the real inflection then came post 2015, where you had 195 governments stepping up to sign the UN Sustainable Development Goals and the Paris Climate Agreement. So essentially established what we could call a compass for directions on where society needs to head.

Eric Usher:

And so this shifted the discussion from one of managing risks to managing risks and understanding opportunity, and then that further developed. And there was a period of scaling up of green bonds, investment in renewables, lots of innovations happening. But really it's only been in the last year or so that we've come to this more talk about the notion of alignment of the entire portfolio. It doesn't make much sense to make a big deal out of your most recent green bond if you can't start to talk about the greenness of the entire fixed income bond portfolio and all of your activities. And this is the type of positioning you're looking at now, and climate is probably the best heard, and as Darryl points out, the most significant challenge. It's only one of the 17 goals, but it's really the one that's given us focus even through the COVID crisis.

Eric Usher:

And it was in 2019 that we drafted with a group of banks the UN Principles for Responsible Banking, which is a framework around aligning with society's challenges. And so it's not necessarily a risk framework, it's an opportunity and an alignment framework. And I have to congratulate BMO. You're actually the second of the 10 largest banks in North America to sign it. You were quickly followed. Goldman Sachs signed last week, and we hope other base fee banks and Wall Street banks will follow now your lead. We have nine out of the 10 largest banks signatories in Europe are signed, excuse me. Seven of the largest 10 in Latin America, four in Asia. It's a global framework. It's a framework of global banks working together, developing the soft norms of what does it mean to align your financing with the needs of society.

Eric Usher:

Also in 2019, this notion of net zero started to take hold. So this is alignment in the climate space. And I should point out Mark Carney, we would like to say is probably the most valuable export from Canada in recent years, although he's come back to Canadian shores. His tragedy of the horizon speech at Lloyd's of London in 2015 really was critical for getting the focus, but also pointing out the challenge of how do we align societal timeframes with financial timeframes and cycles. The reality is that got people aware of the need to start disclosing on climate risks. What's happened though more recently is the tragedy really

has been, I don't want to say solved, but it's no longer so relevant because the Paris agreement talked about the end of century of balancing climate emissions. Recently we talk about 2050. The reality is you start to see the policy trends, we're getting more and more actions towards 2030, that for instance, internal combustion engines are going to be phased out in more and more markets. And the markets are responding in terms of the valuations of companies to disrupt sectors today.

Eric Usher:

And so no longer do we have a tragedy in terms of our need to act being out of the timeframe of the need of societal discount rates as we can say, is within this business cycle we are seeing industries being upended. And therefore, I think your references around the need to work with clients to navigate this transition is critically, I think to the future of the finance sector of BMO and of all of the industries in which you operate in.

Eric Usher:

Last point. We have been working very closely on the investment side and we're the co-host of the Net-Zero Asset Owner Alliance, which is a group of some of the world's largest asset owners, including groups like Allianz and SwissRe, but also CDPQ in Canada, CalPERS in the US, they have been very ambitious in setting up a framework how an investor owner can start to align. We have the new asset manager initiative, which BMO is part of, and we are actively supporting. The latest development is in the banking side. We have been working with our banking members on developing the methodologies and shortly we will be launching a banking net zero initiative, basically to contribute to the buildup towards the COP26 in Glasgow at the end of this year. But more importantly, to help actors like yourselves put in place the tools, the methodologies to align with your clients.

Eric Usher:

This is not a divestment push. This is actually working to help change the businesses of society to look to do innovation, to essentially get everybody involved in this transition and making sure that it is just as Darryl pointed out. I will stop at that. Thank you very much, Michael, back to you.

Michael Torrance:

Thank you, Eric and Dr. Cleary, I'm going to turn to you next. I mean, this is such a complex challenge as we all know. It's multidisciplinary in nature and bringing together disciplines that historically probably didn't intermix much from climate science and finance economics, and so there's really this need for a really broad view and to help try to understand how finance can play a role to transition to a lower carbon economy. Can you speak to that point specifically and in particular about sustainable finance. How can that in your view play a catalyzing role for sustainability and climate action more specifically?

Sean Cleary:

Yeah, thank you very much, Michael. And at first I'd like to start by echoing Eric said. Congratulations to Darryl and the BMO team for this significant announcement, and I'm very happy to be part of this panel today. I'm going to answer the second part of your question first, because it is actually the motivation for the establishment of the Institute for Sustainable Finance, where I serve as executive director at Smith School of Business at Queen's University. We recognized, or it was recognized that there was a need for the financial system to play a critically important role in our transition to a prosperous and sustainable economy. Of course our mandate is on the research and education side, collaboration and

outreach, but the recognition is helping to unlock the capital that goes towards these solutions is critically important.

Sean Cleary:

And with this in mind, I will mention our mission, which is to align mainstream finance with Canada's transition to a sustainable prosperous economy. And I mention it because it carks the announcement today, in terms of the whole announcement itself is very consistent with that mission, and with mainstream finance playing a significant role in the transition to a net zero, if you will. So circling back on the multidisciplinary efforts, maybe you didn't notice me smirk when you said it, it feels like this transformation where we're cramming all these people from these different areas into the same room. It used to be kicking and screaming, and now it seems like everyone's jumping into the room of their own volition. So we have the scientists jumping into those rooms, we have the environmentalist, we have sustainable people who are experts on sustainability considerations, and we have the finance people in there too. And it's necessary.

Sean Cleary:

We've seen something like this recently with the FinTech and AI, where the knowledge base we had had to change, the research had to change and the education we were providing. And that's still ongoing, but it's kind of a... use it as an analogy. So I think from our point of view, this multidisciplinary effort is very consistent with everything we need to do in terms of our research, education. And our collaboration efforts has to be along the lines, very multidisciplinary nature. I think for companies and policy makers and financial institutions in particular, the same thing applies. They need this information for their decisions, and these decisions are going to drive where we go in the future in terms of the capital allocation decisions, in terms of the risk management processes and decisions that they put together.

Sean Cleary:

To highlight one of the things in the announcement, the BMO Climate Institute in particular is very complimentary to the work that we do here, because there are large information gaps out there, and there are large education gaps out there. And that is part of putting all these different organizations with their own different databases and own different skills and expertise into the same room. And by nature, we're not going to have as finance people, all these numbers that we normally download from Bloomberg and the other people are going to be, what are these finance concepts and how do they apply to what we're doing? So it's a process and information, data disclosures are particularly important. And I'll just close by saying that one of the messages we got out of COVID-19 is pay attention to the signs. And I think that's a good message to think going forward to solve with the climate change solution.

Michael Torrance:

Thanks Dr. Cleary. And I like how you threw in AI. And we've had an interesting experience, my team, the sustainability team collaborating with the BMO AI labs team in trying to leverage all of the available data that we can find in scientific modeling around climate risk and to be able to leverage that for our own work as a bank, and we partnered externally with a firm called Climate Engine on that, and it's been really incredible to have that cross-pollination of ideas and skills. Eric, I'm going to go back to you. You have the benefit again, of working with FIs from around the world. What role do you see sustainable

finance playing in terms of driving positive impact, particularly in the support of the UN Sustainable Development Goals?

Eric Usher:

Thanks, Michael. I mean, I think I mentioned earlier about the risk opportunity dynamic, and I think we would all admit that identifying risks is actually something that an organization like BMO is good at doing. That's something your people are [inaudible 00:39:38]. That's first priority. Identifying opportunity, or if we can say impact is quite a bit more challenging. And we like to say the big challenge today is building on the experience with the risk orientation. How do we add on the notion of the impact of what we do? And Darryl referred to the purpose of BMO in orienting and strengthening the notion of purpose. How do you deep integrate that into an organization so that you can understand if we talk about the sustainable development goals for climate action, how do you actually value that within the organization? What metrics do you use? How do you aggregate impact?

Eric Usher:

So let's say you can be doing home mortgages, and the idea of doing green home mortgages to finance very low energy homes, how can you do that in a way that you keep track of what those environmental improvements, energy efficiency improvements are? How can you aggregate them? How can you pass it through your organization, maybe securitize them, maybe sell them on into the green bond markets. The potential is there. We understand the potential, but the need to upgrade how an organization operates to get oriented towards what is the impact that the financing provide is significant. It's challenging, but the opportunities are there.

Eric Usher:

So I think the question you asked about how do you work together with other organizations, and we believe there's a lot of value in that. At the highest level, you have these societal goals as framed by the STGs or the countries come together as the cogs to negotiate the climate agreements. How do you then translate that into how BMO operates? And we're living in a world today where most financing we know has to come from the private sector, we need an enabling environment that allows private investment to flow. But when we start talking about flowing towards impact orientation, there is a lot of interpretation that's required. Now, if BMO comes up with its own methodology, let's say on how to do a TCFD climate disclosure with forward looking scenario analysis, if you do your own methodology based on your own very bright people, when you launch it, odds are, you might get some pushbacks that say, "Why did BMO choose that methodology? In terms of green bond issuance, why did you use that way to determine what is green?"

Eric Usher:

There's a lot of value for the industry to work together and to start to create the soft norms so that you can basically say, we use methodologies that the industry has developed together. Eventually regulators might pick some of this up and start to mandate or regulate how you do disclosures, how you start to define green bonds. We have a lot of development on the regulatory space going on in Europe right now. But what's clear is that if you in the industry are leaning in and working together to develop these soft norms, the odds are that regulators, when they get involved, they're going to learn from you. And this is what we are seeing now, particularly in the climate space.

Eric Usher:

So I think the rationale for the industry, the leaders in the industry to work together, what does it mean to go net zero? What sort of metrics should we apply? How should we be engaging with our clients? It's really there. It's about public and private working together, public learning from private, but basically not sitting back and say, "Well, I'm going to wait until I'm regulated or mandated to do it." It's dive in. And this is what I see being discussed today.

Michael Torrance:

Yeah. Thanks Eric. I mean, on the point of the financial sector, really thinking about how to embed this into their business, we had an experience with developing our impact fund, which is overseen by our sustainable finance team. And that's a really new world for us. We're specifically making equity investments tied to impact, and it's a great way for us to get that perspective in many different dimensions of how capital can play a role to drive impact.

Michael Torrance:

I'm going to pivot now to a lightning round of questions. And before we get to that, I'll just say that it's pretty clear that the pace of change and the focus on ESG, sustainability and climate change is really faster than ever. Innovation is already happening very fast. It needs to be even faster and response strategies to the real dangers of climate change and the goals of sustainability more broadly are being developed. And I think we all accept now that we really need to aim higher and we need to take action in ways more than ever. So I'm going to ask you each in turn to address what in your mind is the key driver or focus for you and your organizations when it comes to climate action. Kristi, I'll start with you in this lightning round. What in your view for BMO GAM is the key driver for your work around climate?

Kristi Mitchem:

Yeah. So I think one of the things that we're looking to focus on is really take the dialogue that we're having with the largest and most sophisticated institutions in the world around climate action and make it digestible and real for the everyday investor. I think we all recognize the magnitude of this problem, and it's going to require that we work not only with the most sophisticated institutions and allocators of capital, but also with individual investors to really drive change, not just in how we invest, but how we act, how we consume energy and frankly, how much energy we actually consume. At the end of the day, I think Darryl said it so well in his opening comments when he said, this is the issue of our day. And to be successful, we're going to have to pull everybody off the sidelines and onto the field.

Michael Torrance:

Thanks, Kristi. Eric, next to you, what from UNEP FI's perspective is the key focus in terms of setting a vision for the industry and your work around climate and net zero.

Eric Usher:

I mean, maybe if I can quote Mark Carney again, he has said that getting out of coal and investing in renewables is the easy part, the real challenge or the big challenge is everything else in between. And essentially saying that every industry is being upended. If we talk about building and construction, certainly infrastructure, transport, energy, cement, steel, food systems, agriculture, all of these are changing. And I think the question is, and as Carney likes to state, how are we going to work? There's going to be some new Teslas, but it's going to be a lot of work with marketing accumbens and essentially, how do we get them to navigate their business models? That's the role of banking. That's what relationships are about, getting them the expertise and easing them or helping them move along.

There is a risk dynamic, but it's really about opportunity of staying ahead of the curve as we navigate these pathways towards net zero.

Michael Torrance:

Thanks, Eric. And Sean, in your academic work on sustainable finance, what do you think are the key drivers in terms of integrating climate and finance?

Sean Cleary:

Yeah. Thanks, Michael. And it's interesting if you'd asked me two years ago, I would've said fiduciary duty and overcoming that hurdle of using it as an excuse for trying to push the needle forward. I think Eric's touched upon it. That's changed quite a bit and now at least people are no longer using it as an excuse while a significant portion recognize it's part of their duty. So that being said, if it's part of your fiduciary duty, what do you need? You need some good information to make those decisions. And I think one of the pressing needs today is better information, comes in the form of better data, better research and better education among the people using that information. So I think there's an opportunity to significantly push the needle forward by improving the information that's out.

Michael Torrance:

Thanks, Sean. And Darryl, the last word will go to you in this lightning round, and it kind of ties back to the first question I asked you. In your view, how big is this opportunity for climate action to align our purpose with our client's strategic and sustainability goals? And why are you, and why is BMO determined to be a leader and a lead partner for our clients toward a net zero world?

Darryl White:

And that's saying a lot given everything that's going on in the planet. So it is big, it is that big and it is urgent. Some of the things that we've said today are new, I would say new-ish because it's on a continuum of working on solving complex problems with our clients. You heard me say that several times earlier. So I've actually closed my own reflection here, Michael, with just that. Since our bank opened on a single storefront in 1817 in Montreal, that's exactly what we've been doing. We've been putting together that fusion between banking, innovation and the ingenuity of our clients. You've heard from Kristi, you've heard from Sharon, you've heard from Cam, whether that client is an individual, whether it's an institution, whether it's a small business, whether it's a large business, to me one of the most exciting things here is borrowing on that track record of 200 years to say, how are we going to apply that framework to solve the most complex and important problem of our time?

Darryl White:

We're going to do it the same way we always have. We're going to do it by working with our clients through that transition. And the words that we chose were very positioned to a net zero world is really exciting to me. And it ladders up to exactly what we've been doing for a very, very long time and to our purpose, which is being articulated for a shorter period of time. I think it's just that exciting.

Michael Torrance:

Thanks Darryl for that. And that's, I think a strong, close to our panel session. Hey, in my view, net zero is an ambition for us, but for really the whole world that will touch every part of our economy and society. And I think from my perspective, today's announcement, BMO is recognizing that as a financial institution, we really play a critical role to try to catalyze climate action and to finance a just transition to

a lower carbon economy. And that we're going to do that by working with our clients to understand the risks and opportunities of this really critical transformation. So there is though a lot of work ahead of us to achieve this goal, and it's going to require creativity, insights, and innovative solutions to these challenges. And BMO's strategy, including I think particularly the establishment of the BMO Climate Institute is really going to position us to be real partners with our clients on this journey and to help them find solutions to advance their business strategies, but also really achieving our broader climate and sustainability goals.

Michael Torrance:

So with that thought, I'll close by giving a big thank you to our special guests, Eric Usher and Sean Cleary, and also a very special thank you to Darryl White and Kristi Mitchem. We're grateful to all of you for having participated in this panel discussion today and shared with us your insights on this critical topic. I think your perspectives really reinforce to me that there's a huge potential for BMO and for the financial sector more broadly to drive climate action, doing so in partnership with our clients that are touching every part of the economy. So to close and to thank everyone who's joined us on today's call, thank you very much for attending.

Michael Torrance:

To those of you who may be our clients, we look forward to engaging with you on this initiative in the coming weeks and months ahead and years. And to our colleagues within the bank, I think we have a really exciting new platform to address these big challenges that affect all of our lives and to embrace this opportunity to work together to make a real difference as we live our purpose as an organization to boldly grow the good in business and in life and to pursue a sustainable future. I think for me, and I think many will share this view, it's another reason for us all to be proud to work at BMO. So with that, I'll thank everyone for joining us today, and I'll say to our audience goodbye now.

Michael Torrance:

Thanks for listening to Sustainability Leaders. This podcast is presented by BMO Financial Group. To access all the resources we discussed in today's episode, and to see our other podcasts, visit us at [bmo.com/sustainabilityleaders](https://bmo.com/sustainabilityleaders). You can listen and subscribe free to our show on Apple Podcasts or your favorite podcast provider, and we'll greatly appreciate a rating and review and any feedback that you might have. Our show and resources are produced with support from BMO's marketing team and Puddle Creative. Until next time, I'm Michael Torrance. Have a great week.

Disclosure:

The views expressed here are those of the participants and not those of Bank of Montreal, its affiliates or subsidiaries. This is not intended to serve as a complete analysis of every material fact regarding any company, industry strategy or security. This presentation may contain forward looking statements. Investors are cautioned not to place undue reliance on such statements as actual results could vary. This presentation is for general information purposes only and does not constitute investment, legal or tax advice and is not intended as an endorsement of any specific investment product or service. Individual investors should consult with an investment tax and or legal professional about their personal situation. Past performance is not indicative of future results.