

For professional investors only

ESG engagement

Nina Roth

Director, Analyst,
Responsible Investment

About BMO Global Asset Management

Leadership

- Launched Europe's first social and environmentally screened Fund in 1984. One of the largest Responsible Investment teams in Europe

Global coverage

- Experienced, well resourced, active global equities team with extensive fundamental research capabilities and risk management

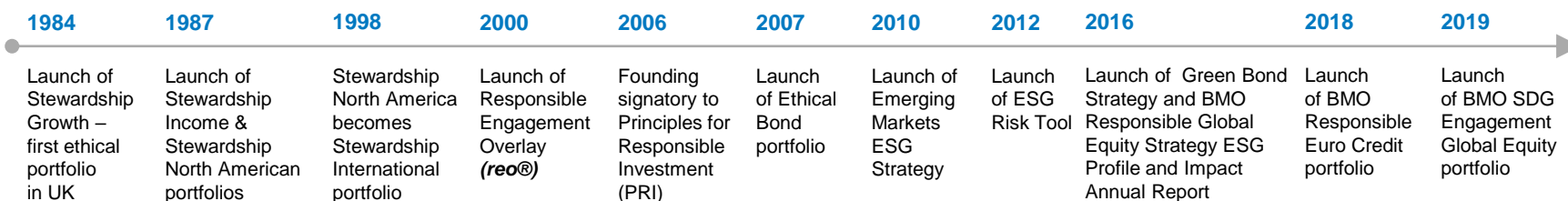
In-house expertise

- Dedicated Responsible Investment team (16 in total) conducting ESG analysis, proxy voting and engagement

Engagement

- Engaged 665 companies in 2018

A history of innovation in Responsible Investment...



Source: BMO Global Asset Management as at 15-Mar-19. ESG = Environmental, Social and Governance.

What is responsible investment?

“ Responsible Investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.”

UN Principles for Responsible Investment

Environmental

- Climate change
- Water management
- Pollution

Social

- Labour standards
- Human rights
- Health and safety

Governance

- Executive pay
- Business ethics
- Corporate governance

Approach to engagement

- Engagement focuses on encouraging companies to **address material environmental, social and governance issues**, with a view to reducing risk and supporting long-term performance
- We use **constructive confidential dialogue**, typically working one-to-one with companies, but taking a collaborative approach where this has more impact
- Effective engagement requires:
 - A **deep understanding of how ESG issues impact mainstream business strategy**
 - The building of **long-term relationships** with companies
 - **Local/regional knowledge** and context
 - **Access** to management and Board
- Where engagement is not effective, we may use a range of escalation strategies:
 - Escalating from management to Board level
 - Bringing collaborative investor pressure to bear

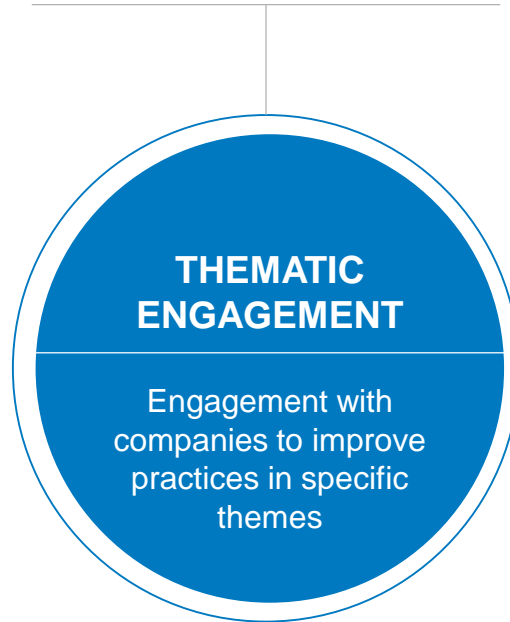
ESG = Environmental, Social and Governance.

Engagement prioritisation

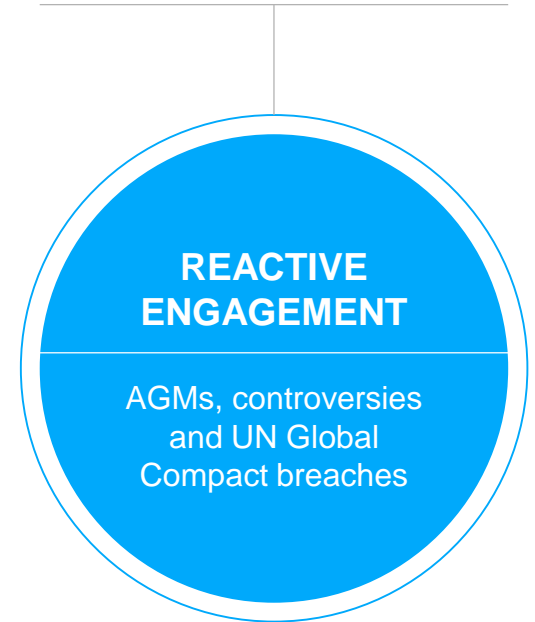
Bottom-up



Top Down



Event-driven



Thematic projects 2019: five key focus areas



Protecting vulnerable workers

- Living wages in the retail sector (new)
- Modern slavery (ongoing)
- Sustainable sourcing for apparel (new)



Climate change

- Climate Action 100+ (ongoing)
- Sustainable banking in ASEAN banks (new)
- Marine transportation (new)



Gender equality

- Diversity best practice in senior management (new)



Biodiversity and water

- Ocean plastics (ongoing)



Antimicrobial resistance

- Pharmaceutical sector response to antimicrobial resistance (new)

Also ongoing:

Disclosure at mid-cap companies, Nutrition, US governance

Source: BMO Global Asset Management as at 01-Jan-19.

In addition → 66 priority companies, covering 19 countries

Project highlight: sustainable banking in ASEAN banks

- Sustainability **strategy**
 - Senior leadership
 - Roles, responsibilities, reporting lines
 - Staffing
- Environmental & social **risk management**
 - Detection, analysis, mitigation, monitoring
 - Policy development for key risk areas
- **Thematic focus:**
 - Climate change: identifying key portfolio risks/exposure to climate change effects
 - Palm oil: development of dedicated policy, incl. no deforestation, no peat, human rights)
- **Transparency:**
 - AR/CSR/Sustainability/online reporting
 - TCFD reporting

Collaborative engagement – 2019 (selection)



‘Systemically important emitters’:
improving governance,
curbing emissions and
strengthening climate-
related financial
disclosure.



Palm oil:
producers,
traders, retailers &
banks to develop
and disclose
NDEP policies.
Deforestation
(soy, cattle).



Gender diversity:
broaden the pipeline
of women at all levels
of organisations;
board appointments.



Living wage:
improving data on
how companies
manage workers in
their direct
operations and
supply chains.

APPENDIX

ESG standards of our responsible strategies

Screening criteria

- Alcohol
 - Fossil fuels
 - Fur
 - Gambling
 - Genetic modification
 - High interest rate lending
 - Nuclear energy
 - Pornography, harmful and violent materials
 - Transport
 - Tobacco
 - Toxic chemicals
 - Weapons
-
- Climate change
 - Biodiversity loss
 - Waste management
 - Water consumption
-
- Human rights
 - Labour standards
 - Product safety
 - Animal testing and welfare
 - Responsible sales and marketing
-
- Bribery and corruption
 - Compliance and ethics
-

Positive themes*

- Technological innovation
 - Healthcare
 - Responsible finance
 - Sustainable mobility
 - Resource efficiency
 - Energy transition
-

*Responsible Global Equity strategy.

Disclaimer

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned.

Contact us

BMO Global Asset Management (EMEA) – Head Office

Exchange House

Primrose Street

London EC2A 2NY

Tel: +44 (0) 20 7628 8000

Calls may be recorded.

bmogam.com

Extensive worldwide investment capabilities

- Total focus on clients
- Comprehensive range of products and solutions
- Defined expertise – including a suite of specialist investment boutiques



© 2019 BMO Global Asset Management. All rights reserved. BMO Global Asset Management is a trading name of BMO Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority.