

Engagement with companies produces a pivotal year for the implementation of climate strategies

London, 13 May 2019 – In its Responsible Investment Annual Review, BMO Global Asset Management engaged with 665 companies in 46 countries throughout 2018. The report also recorded 237 instances of change, or ‘milestones’, where companies improved ESG policies and practices following engagement throughout the year.

Over half (54%) of the milestones were linked to the Sustainable Development Goals (SDGs) and 46% of the milestones were on corporate governance themes. 14% of milestones linked to SDG 12, which is focused on climate-related issues of environmental supply chain management, improving ESG disclosure and the management of pollution impacts. 13% of milestones linked to SDG 3, which includes encouraging enhanced access to medicines and responsible drug pricing.

Engagement highlights

The ESG issues most engaged on, presenting the greatest threats or opportunities to long-term shareholders, included:

- **Environmental:** 20% of engagement

Extreme weather events and calls for global action to curb emissions easily made climate change one of the top stories in 2018 worldwide. The Responsible Investment team engaged actively with companies across highly-exposed industries on issues such as emissions management, adaptation, innovation and climate-related disclosures. As well as climate change, BMO Global Asset Management spent time talking to relevant companies about their approach to tackling plastic pollution, an issue for which public awareness and action, and hence business risks, snowballed last year.

- **Social:** 40% of engagement

Extensive work on social engagement included a focus on labour practices, in particular modern slavery, freedom of association and supply chains. The Responsible Investment team also stepped up efforts on health issues linked to sugar, as governments and the general public pay increasing attention to the consequences of high sugar consumption. The Responsible Investment team engaged with food and beverage and restaurant companies around the world to encourage them to incorporate regulatory developments and changing consumer preferences as they work on their long-term business strategies.

- **Governance:** 40% of engagement

Given that well-functioning boards are critical for long-term value creation, the Responsible Investment team’s governance engagement continued to be focussed on board effectiveness. In addition, they discussed topics relating to director nomination, board composition, diversity,

refreshment and evaluation. Other governance areas engaged on include business ethics, internal controls and executive remuneration.

An additional theme of focus in 2018 included the issue of ocean plastics, which saw BMO Global Asset Management's Responsible Investment team engaging with 27 companies in the food and beverage, and food and staples retail sectors on their approaches to tackling plastic pollution. The Responsible Investment team is asking companies to reduce the amount of unnecessary single-use plastic, improve the recyclability of plastic, be creative in packaging redesign, implement circular economy models and improve recycling infrastructure. The engagement also emphasised the opportunity to see innovative packaging materials and technologies emerging.

Active ownership and voting

BMO Global Asset Management voted against management in 24% of all resolutions and voted against at least one resolution at 72% of meetings. The Responsible Investment team voted against management at almost 56% of resolutions relating to pay, up from 47.5% in 2017, and 26% of resolutions relating to director elections, a slight reduction from the prior year.

Focus areas for 2019

Five corporate governance areas of focus for 2019, in terms of engagement and voting policies, for BMO Global Asset Management's Responsible Investment team include:

1. Emphasis on direct board member accountability: votes will be cast against directors who have demonstrated poor oversight on other boards;
2. Environmental and social factors and climate risk: votes will be cast against management resolutions for inappropriate risk management or absence of investment-relevant climate disclosure in high-impact sectors;
3. Diversity of boards and in the executive pipeline: engage with companies and vote against directors where expectations on diversity are not met;
4. The distribution of pay across the workforce: engage with companies on pay gaps identified and remedial action taken;
5. Auditor accountability: engage with boards on audit committee oversight of the audit process and improved disclosure.

The biggest themes that the team expects to shape the responsible investment agenda more generally for 2019 are gender equality, protecting vulnerable workers, climate change, biodiversity and water and antimicrobial resistance.

Alice Evans, Co-Head of Responsible Investment at BMO Global Asset Management, said: "We were pleased to see good progress in 2018 on a number of topics that have been a long-standing focus of our corporate engagement programme. In particular it was a pivotal year for the development and implementation of climate strategies, where we have seen significant improvement following engagement. We have also seen traction in improving working conditions and workers' rights and addressing corruption. In 2018 we also advanced our understanding of how our engagement can support the SDGs, moving beyond the top level goals to use the detailed underlying SDG targets to frame company engagement objectives. We have found this has created a useful common language and reference points and our experience is that companies welcome this development in our engagement approach."

Earlier this year, BMO Global Asset Management launched the BMO SDG Engagement Global Equity Fund, focusing on the 17 SDGs and designed to deliver long-term capital growth while delivering a positive impact on the world in which we live.

You can download a copy of BMO Global Asset Management 2018 Responsible Investment Report [here](#).

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About BMO Global Asset Management

BMO Global Asset Management is a global investment manager with offices in more than 25 cities in 14 countries, delivering service excellence to clients across five continents.

Our four major investment centres in Toronto, Chicago, London and Hong Kong are complemented by a network of world-class specialist managers strategically located across the globe: BMO Real Estate Partners, LGM Investments, Pyrford International Ltd. BMO Global Asset Management is a signatory of the United Nations-supported Principles for Responsible Investment initiative (UNPRI).

BMO Global Asset Management is a part of BMO Financial Group, a highly diversified financial services provider based in North America with total assets of CDN \$807 billion as of 31 January 2019, and over 45,000 employees.