

# Pioneers in responsible investment



# Investing responsibly is at our core

**The need to invest responsibly has never been greater.** It is increasingly difficult to defend investing for short-term returns if those come at the expense of sustainable business practices. Poor practices can have a profoundly negative impact on our environment, society and longer-term performance. With client objectives that go beyond risk and return, investors and stewards of capital need to take full responsibility for affecting change.

At BMO Global Asset Management, we've built our business around a progressive investment philosophy, focusing on delivering returns for our clients while driving positive change in the world around us.

### The original champions of change

BMO launched Europe's first ethical fund over 35 years ago, and ever since, we have been continually engaging with companies to drive improvements to their environmental, social and governance (ESG) practices. As one of the founding signatories of the UN Principles for Responsible Investment initiative, it's been our central philosophy, and today ESG considerations are integral to our investment processes. It's a crucial part of our commitment to reducing risk, improving returns and making a positive difference – to our clients and the world.

### Simply good investing

Sustainable returns are what every investor seeks. It is our core belief that responsible investment practices enhance both returns and real world outcomes. For some asset managers this is becoming the new normal, for us it has been standard for decades. Responsible investment can deliver at many levels, but it takes the kind of knowledge and expertise, honed over many decades, that can be found at BMO.

### A growing responsibility, to you

As a global asset manager with £227 billion (€253bn) of assets under management (31 December 2020), we have the power and passion to be a positive influence for our clients – not just with carefully selected investment, but with the insights and expertise that helps to champion their causes while also delivering on performance objectives

This is why we've spent time building our responsible investment capability, which is now one of the longest standing and most experienced in the world with nearly 300 years of collective experience. It's enabled us to grow one of the broadest range of solutions, and develop sophisticated processes that combine active ownership and enhanced security selection to inform better investment decisions and drive meaningful change in the companies we invest in.

And as the world changes, we're the right partner to help our clients wherever they are on their journey.

### Key risks

The value of investments and any income from them can go down as well as up and investors may not get back the original amount invested.

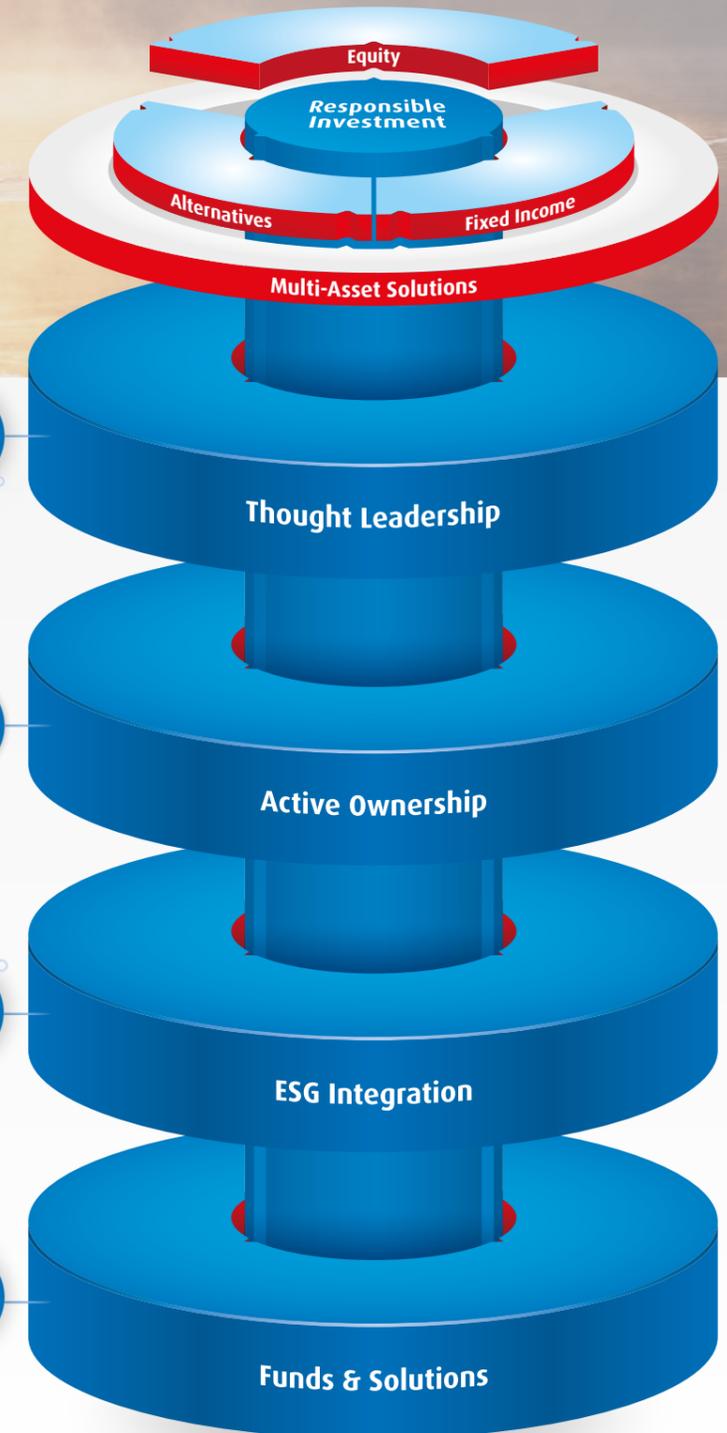
## How we drive change

We use our experience, expertise, and influence to have a positive impact on investments and the wider world, sharing actionable insights with our clients.

We use our sector knowledge, ESG data and recognised influence to engage thoughtfully with the companies that we, or our clients, are invested in to bring about positive change.

We ensure that all relevant ESG factors are considered in our investment analysis to provide a more comprehensive and rounded risk perspective.

We offer a comprehensive suite of Responsible products and solutions that are constantly evolving to meet the needs of our investors and our world.



# The breadth and depth to succeed

## Comprehensive capability matched with intensive focus.

Since founding our responsible investment capability in 1984, we have developed extensive expertise across the vast spectrum of responsible investment – and, importantly, in its precise application to individual business sectors and important themes.

Our experienced responsible investment capability is structured to cover:

- Responsible investing skills such as ESG analysis, engagement, screening and proxy voting
- Responsible investing themes across E, S and G
- Industry sector knowledge

This expertise, with support from our Advisory Council and our broader organization, offers a comprehensive understanding of virtually every ESG topic. Climate Action and Equality are two areas of particular importance to our business that we emphasise across our thought leadership, active ownership, and in our investments. In terms of our active ownership priorities, in 2021 we will continue to prioritise engagement with companies in high climate impact industries, driving action towards a net zero emissions global economy, while increasing engagement efforts to encourage positive biodiversity outcomes and address issues of inequality and social justice.

## Independent oversight

Our **Responsible Investment Advisory Council** helps us maintain the integrity of the standards by which the Responsible funds are run, providing advice on ethical and sustainability criteria. Their expertise also helps inform our approach to responsible investment issues and engagement focus

The Council consists of five external sustainability experts and an internal member. The five experts are leaders in their fields and bring international experience across responsible investment, environmental, social and ethical issues.

### Co-heads



**Alice Evans**  
Managing Director, Co-Head of Responsible Investment



**Claudia Wearmouth**  
Managing Director, Co-Head of Responsible Investment

**20+** Responsible Investment experts  
**275** years of combined experience



# Leading vital conversations



← Vicki Bakshi, Director in the Responsible Investment team, delivering her keynote speech at the 2020 F&C Investment Trust Lecture 'The Future: It's Our Responsibility'. Guildhall, London, March 2020.



At BMO Global Asset Management thought leadership is the engine of responsible investing. Our leading research and insight supports our determination to be a strong advocate for responsible investment and for positive change.

## Advancing the cause

We lead discussion and debate to help drive innovation and development worldwide. It is critical as an investor to influence governments and regulators to put in place appropriate policies on environmental, social and governance issues.

Communication must be a two way process. We listen as well as speak. The more we learn, the more considered and effective our engagement will be.

## 3 ways to make a difference

- 1 We input thoughtfully and proactively to government and regulatory consultation, helping to shape policies.
- 2 As investors, we advocate policy changes and promote an ESG agenda, ensuring that every business understands the need to take ESG risk seriously.
- 3 As investors, we are a conduit to concentrate and amplify our clients voices with companies.

## Our core strengths

Our thought leadership covers the spectrum of ESG issues that confront clients, and identifies the key themes we expect to influence the investment agenda for the years ahead. In particular, there are two of vital importance that we will continue to focus on:

- Climate action
- Equality

These align with our corporate commitments at BMO Global Asset Management and the purpose of our wider BMO Financial Group to *Boldly Grow the Good*.

## Our collaborations

Sometimes it is more effective to collaborate with other asset managers, NGOs and industry groups to co-ordinate to affect change. This is why we actively participate in many networks around the world, with a few of them illustrated below:

**Environmental, Social and Governance groups**

Climate Action 100+

IIGCC  
Institutional Investors Group on Climate Change

access to  
medicine  
FOUNDATION

30% Club  
GROWTH THROUGH DIVERSITY

WDi  
Workforce Disclosure Initiative

ICGN  
International Corporate Governance Network

**Industry-wide groups**

PRI | Principles for Responsible Investment

GIIN  
GLOBAL IMPACT INVESTING NETWORK

UKSIF  
UK Sustainable Investment and Finance Association

THE INVESTMENT ASSOCIATION

RIA  
Responsible Investment Association

THE INVESTOR FORUM

## Knowledge, shared

The vast amount of knowledge and data that we can call on enables our responsible investment experts to publish insightful research on a wide range of ESG related topics.

Our primary research helps us better understand individual investor needs and priorities. For example our recent North American investor study identified four distinct responsible investor personalities.

Our regular ESG Viewpoints allow us to share insights on issues from plastic in the oceans to living wages for developing nations.

We can help build understanding of these challenges and the ways that responsible investment is providing solutions to them.

**Make sure to join the conversation by [signing up](#) to receive our regular insight papers.**

# Active owners and a positive influence



For investors, responsibility does not end when an investment is made. We are active owners, using considered engagement and thoughtful voting to drive positive change, reduce risk and enhance long-term performance.

Active ownership can be a powerful driver of positive change. By using voting rights and engagement, it can influence the activities and behaviour of investee companies for the better.

### What does this mean for our investors?

We identify ESG issues of strategic importance to companies we invest in and their wider impact on the world. We are engaging in dialogue on the management of those issues to ensure sufficient strategic focus from the business; to ensure strong oversight; to raise the issue up the agenda; to support and encourage positive change. We are using escalation tools where necessary. We are bringing depth and breadth of expertise to identifying and engaging on these issues, and we are tenacious.

It can take time to build consensus for change within a business and to develop the tools to do so. We support companies on that journey, and we hold them to account on their commitments. At BMO active ownership is a key cornerstone of our work and is provided to third party companies through our award winning **reo**® service.

Through **reo**®, clients enjoy greater influence to effect positive change by pooling assets to create one single, powerful voice. We proudly represent a global client base of investors including pension funds, insurers, asset managers, fiduciary managers, charities, discretionary managers, and family offices.

### Engagement with depth and breadth

Engagement is at the heart of everything we do. Because our team is made up of industry sector specialists, we see the issues in context, providing a depth of understanding. It can lead to innovative solutions, with workable new answers to the challenges delivering more effective outcomes.

This understanding is also broad based. It encompasses the full spectrum of environmental, social and governance risks, covering companies across all sectors and geographies.



Our depth of expertise, industry knowledge and significant scale gives us the opportunity to talk directly with key company decision makers and bring about positive change.

**Claudia Wearmouth, Managing Director, Co-head Responsible Investment**

### Proactive Proxy Voting

Our approach to active ownership includes thoughtful voting as an important tool to improve ESG behaviour. Through exercising our voting rights we aim to promote good governance practice and positive change in how firms do business and mitigate risk.

### Transparent voting process

 <p>Corporate governance guidelines are updated annually and made public, with substantive changes communicated to companies</p>	 <p>Engage focus companies ahead of the AGM where we intend to vote against management</p>	 <p>Publish detailed voting records and select rationale on our website</p>
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BMO Global Asset Managers were one of the first investors to publish detailed voting records of all our retail funds worldwide

## What does good engagement look like?

### Strategic

Integrating ESG issues into business strategy

**52%**

BMO Global Asset Management engagements at Board or senior executive level

### Comprehensive

Engaging companies across asset classes and geographies

**50**

countries covered by BMO Global Asset Management engagement

### Bold

Backing up engagement with clear escalation strategies and a willingness to use voting power

**23%**

BMO Global Asset Management votes cast against management

### Aligned

**79%**

of engagement linked to the Sustainable Development Goals

### Collaborative

Working with other investors and wider stakeholders

**\$52trillion**

assets represented by the Climate Action 100+ initiative, as at 30 November 2020

## Results

Delivering positive outcomes

**4,106**

instances of positive change in ESG practices recorded since our records began in 2006.

All data referring to 2020 activity unless otherwise stated.

# Working together for positive change

BMO Global Asset Management was a founding signatory of the UN Principles for Responsible Investment initiative.

We are a member of several investor coalitions. Together we are actively pursuing collaborative engagements with the focus on achieving the Sustainable Development Goals.

Speaking with a unified voice not only lets investors communicate their concerns more effectively, it provides legitimacy in the eyes of corporate management.

Companies are more likely to listen to investors when they see evidence that what they are hearing is truly representative of a broad range of views, and backed by objective evidence.



PRINCIPLE 1 2 3 4 **5**

Global stakeholders collaborate to achieve outcomes in line with SDGs



### Making progress with Sustainable Development Goals

Sustainable Development Goals (SDGs) are an important initiative, a framework to allow future development without negative impacts on people or the planet.

They are emblematic of a shift in the perspective of the Investment Industry. By providing clear targets, they have helped investors take greater responsibility for the impact of decisions on society and the wider economy.

The SDG framework sets 17 goals and 169 associated targets, providing a vital tool to allow companies and investors to contribute to achieving a more sustainable future by 2030. The initiative has created common goals

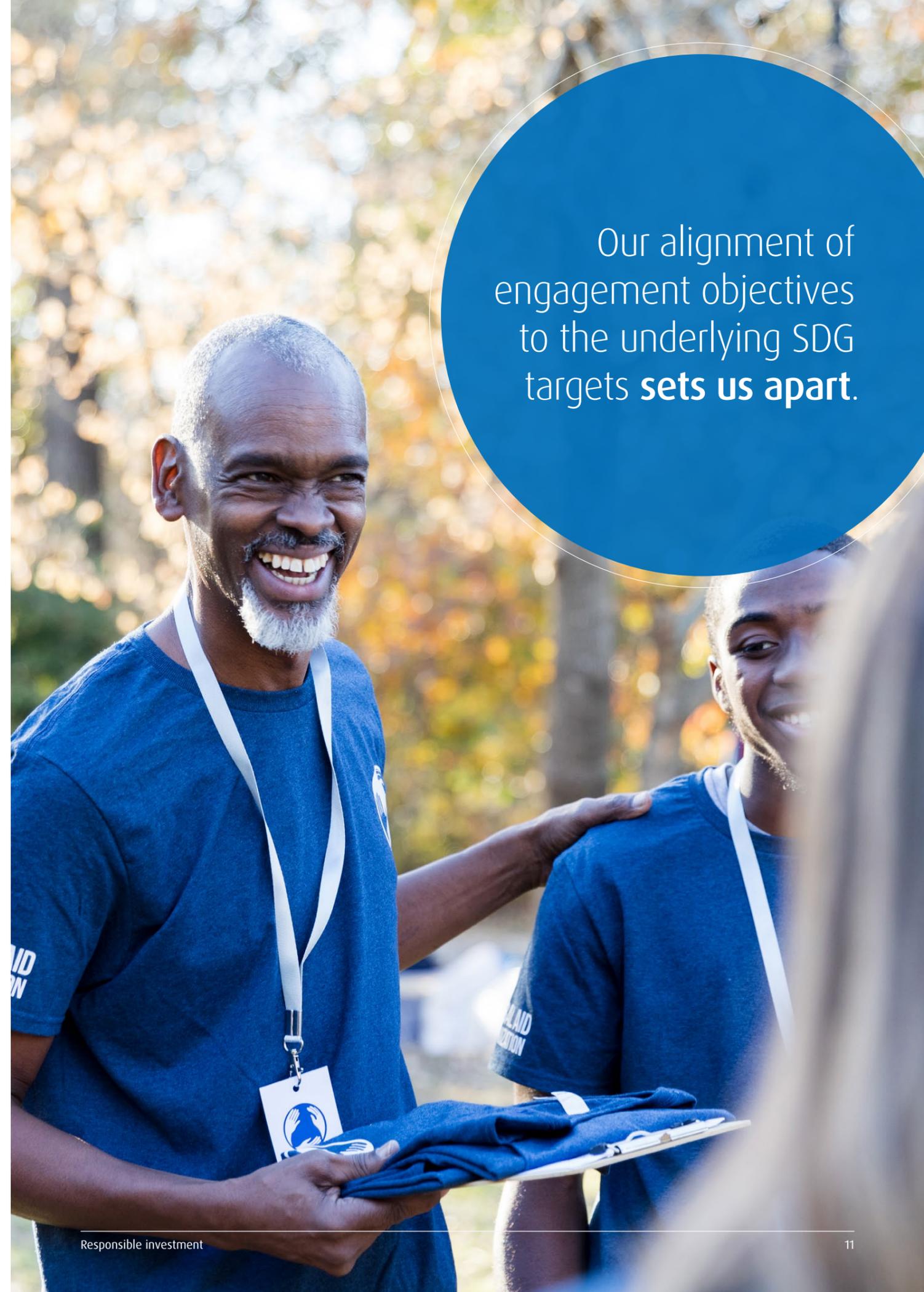
for stakeholders, enabling them to see the impact of our engagement while setting benchmarks for the future.

Since 2016 we have made monitoring the effectiveness of our engagement towards meeting the ambitious SDGs part of our reporting commitment.

Unlike many asset managers, with us this reporting goes deeper than simply a record of how top level goals are being met. We drill down to explore the targets that underly them.

This allows us to log interactions, progress, and results at a granular level. This detailed reporting enables us to provide a deeper influence that supports positive change.

Our alignment of engagement objectives to the underlying SDG targets **sets us apart.**



# ESG integration is hardwired into our approach

At BMO Global Asset Management identifying the financial impact of ESG issues is integral to our investment processes. It gives clearer understanding both of risk and long-term opportunity.

## Integrated in all asset classes

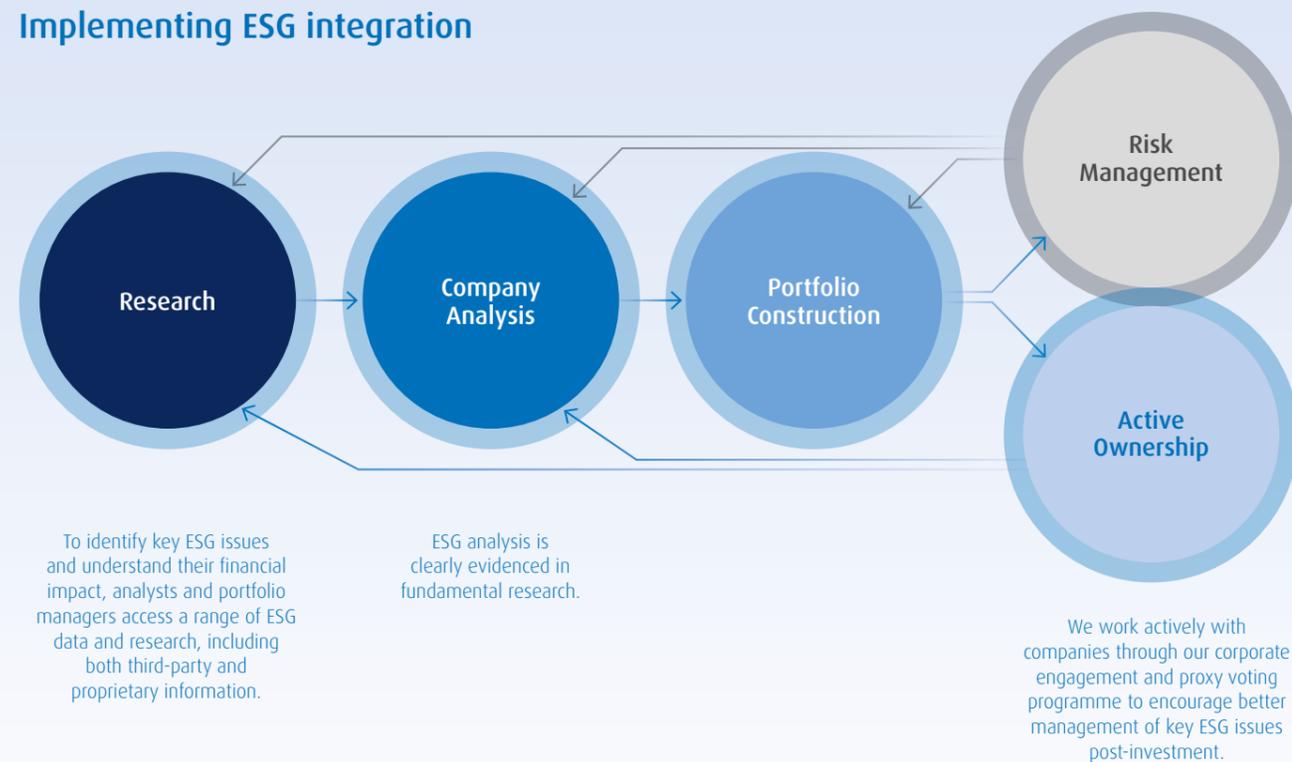
ESG considerations are integrated into investment processes across all asset classes including Equities, Fixed Income and Alternatives. Fund managers and investment analysts draw on ESG data and the resources of our responsible investment expertise to gain an understanding of these factors to the

investment case. This allows them to apply the principles in ways that are most meaningful to their asset class and investment strategy.

We apply a firm-wide exclusion on the manufacture of landmines and cluster munitions. We review the exclusion list regularly and look to amend it accordingly moving forward.

We prefer to engage with companies rather than exclude them from our investible universe. From our perspective, successful engagement can reduce risk to investors, unlock value and benefit wider society.

## Implementing ESG integration



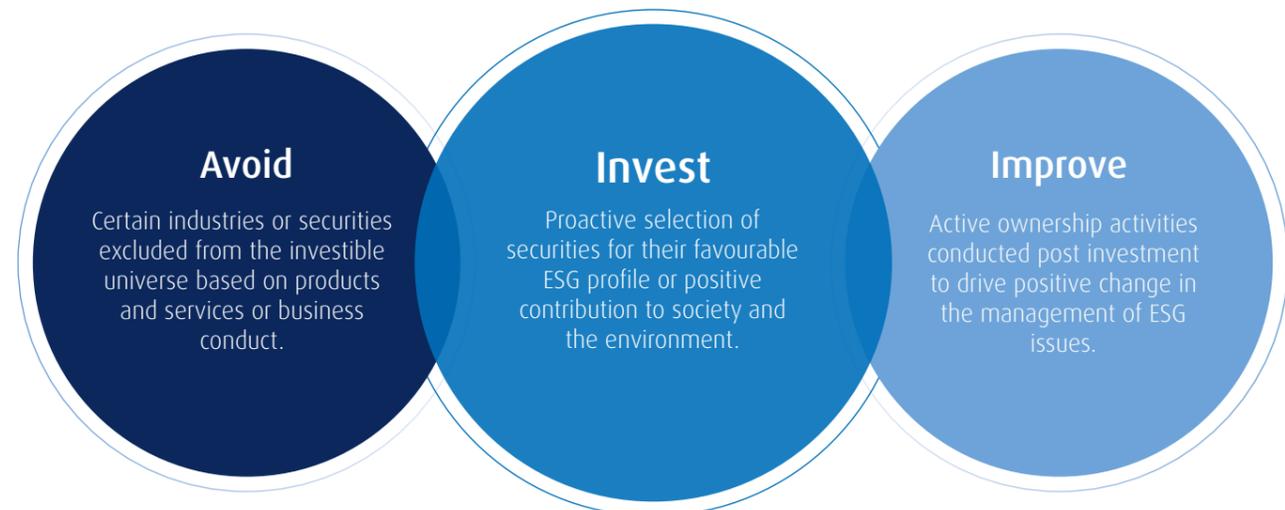
## ESG Integration Toolkit

We have developed a number of resources to enable effective integration:

<b>ESG risk tool</b> <ul style="list-style-type: none"> <li>Covers 6,500+ global companies</li> <li>Companies assigned an internal ESG rating based on multiple third-party data ESG data sources that are enhanced</li> <li>Red flags for very poor ESG performance or severe controversies</li> </ul>	<b>ESG portfolio analytics reports</b> <ul style="list-style-type: none"> <li>Overall ESG portfolio performance vs. benchmark</li> <li>Analysis of best and poorest ESG scores in portfolio</li> <li>Carbon footprint analysis</li> <li>Detailed engagement &amp; voting histories</li> </ul>	<b>ESG industry reports</b> <ul style="list-style-type: none"> <li>Highlight and discuss the most relevant ESG related risks and opportunities by industry</li> <li>Articulation of best practice</li> <li>Key ESG questions for investment teams to ask company management</li> </ul>
<b>ESG seminars</b> <ul style="list-style-type: none"> <li>Responsible investment team hosts monthly seminars for all portfolio managers and analysts</li> <li>Sessions provide insight and debate around treatment of key ESG topics in investment analysis</li> </ul>	<b>Viewpoints</b> <ul style="list-style-type: none"> <li>Publishes opinion, research and feedback on company engagement in Viewpoint documents</li> <li>Available at <a href="https://www.bmogam.com/responsible-approach/">https://www.bmogam.com/responsible-approach/</a></li> </ul>	<b>Engagement and voting</b> <ul style="list-style-type: none"> <li>Team-led engagement and proxy voting programme with reporting</li> <li>Further company engagement at portfolio level as appropriate</li> <li>Proxy voting in line with in-house corporate governance guidelines and/ or portfolio managers</li> </ul>

## Helping investors to evaluate what we offer

At BMO Global Asset Management, we have developed a clear framework to demonstrate the ESG credentials of multiple funds across different asset classes. This allows us to support our Investors by demonstrating how these funds meet our three pillar philosophy of Avoid Invest Improve.



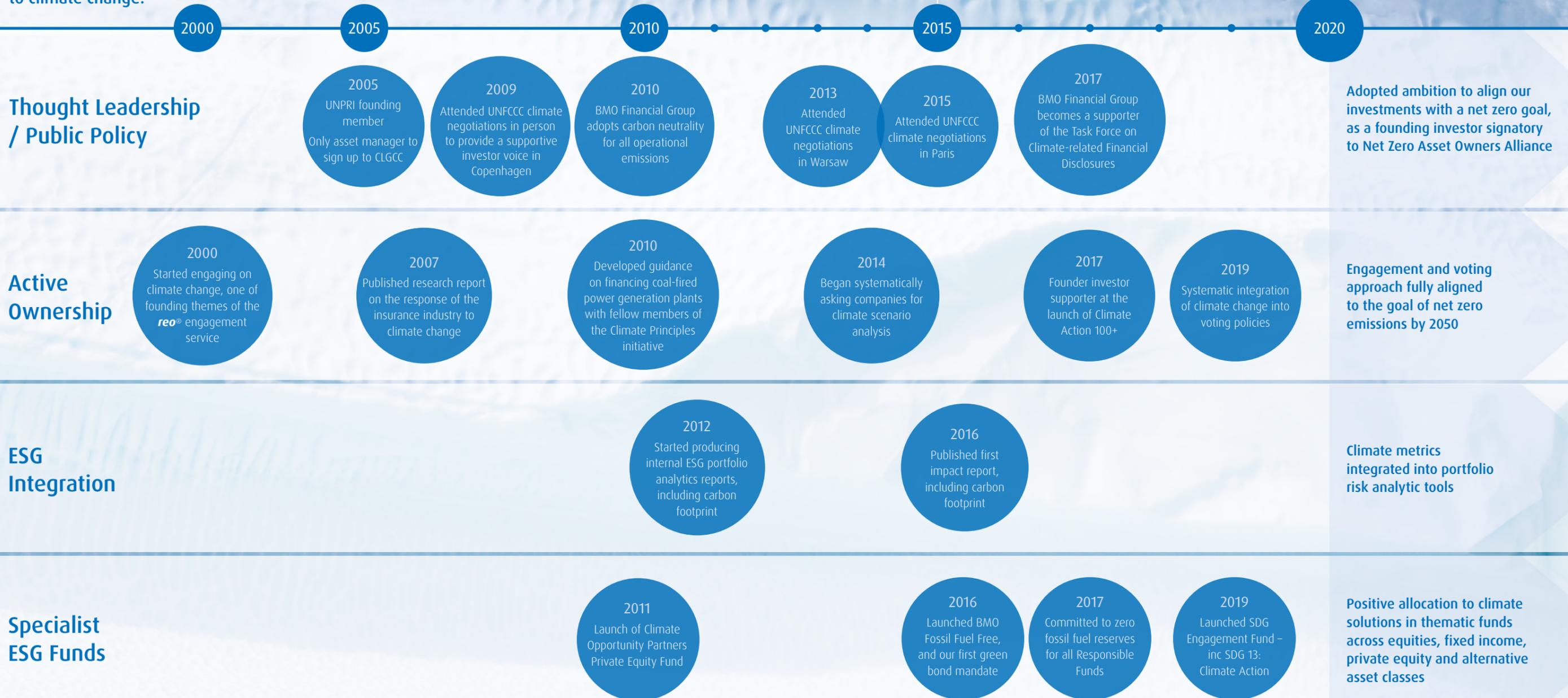
# Influential Investing in action

We consider climate change to be one of the defining issues of our generation. It is clearer now than ever that a stable climate is essential to the future quality of life on our planet. We support the ambition of cutting global greenhouse gas emissions by 50% by 2030, and to net zero by 2050, in order to limit the global temperature rise to 1.5 degrees Celsius. This ambition forms the foundation of our current policies and future approach.

Since the 2015 Paris Agreement, we have conducted **1,075 engagement activities** with **629 companies** on climate change

“  
The success of the Climate Action 100+ initiative in bringing together investors representing close to US\$52 trillion in assets shows how far we have come.  
Kristi Mitchem, CEO

Some of our actions relating to climate change:



# Turning our depth of ESG expertise into real solutions

Choosing the right partner is always important and this is particularly relevant when it comes to responsible investing. Managing issues as complex and interconnected as ESG takes experience, deep sector knowledge, and the ability to turn this into superior and sustainable security selection for our clients.

With a pioneering heritage that goes back over 35 years, award-winning responsible investment expertise, plus an unrivaled breadth of ESG funds and solutions, you have the reassurance that there is no better responsible partner whatever your needs.

### Always responsible

Every BMO Global Asset Management fund is a responsible fund. We integrate material ESG factors into all investment processes. This ensures that responsible investing comes as standard across all our strategies, products, funds, and investment solutions. However we have a dedicated range of ESG focused funds and solutions that are designed for investors that wish to set the bar even higher for responsible investment.



Past performance is not an indicator of future performance.

## Range of responsible solutions

### The extra factor in our dedicated ranges of responsible investment solutions

In 1984 we launched our Responsible UK Equity fund – Europe’s first social and environmentally screened fund. We have been innovating ever since, creating award-winning strategies that embrace different investment themes and priorities, covering a range of asset classes and regions, including multi-asset solutions.

Our range of responsible investment solutions use and strengthen our three pillar framework of Avoid, Invest, Improve:

**Avoid:** additional exclusions over and above those we provide as standard across our entire range.

**Invest:** a higher proportion of companies exhibiting or on the path to sustainability leadership. They may offer comprehensive client reporting on milestones and progress.

**Improve:** a more demanding engagement agenda focusing on objectives beyond financial performance, encouraging companies to have an ongoing focus on improving their ESG credentials.

### Impact reports

For every responsible investment fund, we publish an annual impact report which communicates with investors on the progress we are making and measures the impact we have through the companies we invest in and the way we act as investors.

## reo® – Our stewardship service

Our Responsible Engagement Overlay service (**reo**®) is widely sought by a global client base of asset owners including pension funds, insurers, asset managers, fiduciary managers, charities, family offices and discretionary managers.

These clients trust our award winning **reo**® service to engage investee companies on ESG issues and sustainability risks and opportunities related to investments. **reo**® reporting is aligned to the SDGs, enabling them to report on the impact of our engagement.

Through **reo**® clients can access the full suite of stewardship expertise including research, screening, engagement and proxy voting. They enjoy greater influence to effect positive change by pooling assets to create one single, powerful voice.

**reo**® provides global cross-sector coverage across the market cap spectrum and systematic analysis of ESG risks in client portfolios, to inform engagement priorities.

Assets managed in responsible funds and mandates

£8.3bn  
(€9.3bn)

BMO Global Asset Management assets engaged on

£105bn  
(€117bn)

Assets engaged for clients in reo®

£272bn  
(€303bn)

=

Total combined AUM+AUA

£377bn  
(€420bn)

All correct as at 31 December 2020.

# Our parent company – BMO Financial Group

More than 12 million customers count on us for personal and commercial banking, wealth management and investment services.

Everything we do is focused on building, investing and transforming how we work to drive progress alongside profit and create value that extends far beyond the bottom line.

45,000

Employees globally

\$949 billion

in total assets

192 Year

Dividend record – the longest in Canada

#1 sustainably managed bank

BMO was ranked first among all banks and #15 of 5,500 global enterprises in the 2020 *Wall Street Journal* survey of the 100 Most Sustainably Managed Companies in the World



2020 Bloomberg Gender-Equality index for the 5th year running



America's Best Employers for Women, and Best Employers for Diversity 2020 – recognised by Forbes magazine

Source: BMO 203rd Annual Report 2020. All figures to 31 October 2020.



## BMO Financial Group Purpose

Working together with our customers, our employees and our communities, we look for opportunities to accelerate positive change, united in the belief that success can be mutual. We've never been clearer about why we do what we do. As we move forward, acting with confidence in the face of change, we sum up our convictions in a simple statement of purpose:

## BOLDLY GROW THE GOOD

in business and life

### Bold commitments:

#### For a sustainable future

Mobilising \$400 Billion

for sustainable finance by 2025

#### For a thriving economy

Doubling Support

for small businesses and for women entrepreneurs

#### For an inclusive society

Reducing barriers

by committing to zero barriers to inclusion

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**BMO**  **Global Asset Management**

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