

Five responsible investment themes to look out for in 2019

London, 12 February 2019 – BMO Global Asset Management has identified five key themes it expects to shape the responsible investment agenda for 2019 and offers insight into how its Responsible Investing team is engaging with companies on these issues.

Vicki Bakhshi, Director, Responsible Investment at BMO Global Asset Management, comments: “Engagement is a powerful tool that we, as stewards of our clients’ capital, need to use to tackle ESG risks and deliver sustained long-term returns for investors. We also believe that through engagement, we can work with fellow investors to drive progress towards a more sustainable world, through supporting the achievement of the Sustainable Development Goals (SDG). Our 2019 priorities have been chosen on the basis that they meet both these objectives: all five are material to investors, and of critical importance to the SDGs”

The Responsible Investment team at BMO Global Asset Management are looking into these five areas in more detail:

Protecting vulnerable workers

“Inadequate wages, weak safety practices and modern slavery all contribute to poverty and inequality and undermine the achievement of sustainable development and the targets of SDG1¹. and SDG8², which call for an end to global poverty and safe working practices.

“In 2019 we will continue to engage companies on how they are tackling modern slavery practices such as forced and child labour within their supply chains. New legislation is shining a spotlight on this issue through driving better disclosure. Based on the work we undertook in 2018, we have built an understanding of corporate best practice, and will use this to press companies to make improvements.

¹ <https://sustainabledevelopment.un.org/sdg1> - **SDG 1.1:** By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day

² <https://sustainabledevelopment.un.org/sdg8> - **SDG 8.7:** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its form

SDG 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

“This year will also see us follow up on previous work on the payment of a living wage, with emphasis on the retail sector, where corporate reputations are sensitive to allegations of poor staff treatment. We will also start a new strand of engagement around apparel sourcing practices and their impact on the environment and local populations, including the emerging risks arising from shifts toward sourcing from Africa as companies seek to diversify their supply chains.

Gender equality

“The world remains a long way from achieving the targets set under SDG5 - gender equality. One area where there has been intensive investor focus, with some degree of success, has been on board-level gender diversity. However, with equality issues still deeply entrenched throughout the labour force, board diversity is only the tip of a very large iceberg.

“Building on our engagement at board level, in 2019 we will expand our focus to look more deeply at the representation of women at senior management level and below, linking to target SDG5.5³. Based on an identification of best practices in areas such as mentoring, flexible working and pay, we intend to work with companies to identify barriers and encourage the adoption of forward-looking approaches - which should ultimately benefit company performance through attracting and retaining high calibre employees.

Climate change

“Climate change has been the subject of intensive investor focus over the past year, with the Climate Action 100+ initiative being one of the largest investor collaborations ever formed.

“Engagement has particularly concentrated on the oil & gas and mining sectors, and to a lesser extent, the energy-intensive industries such as utilities and automobiles, however the impacts of climate change range much more widely. In 2019 we plan to widen our own perspective through focusing on the role of the finance sector, in line with the focus of SDG 13⁴ – climate action, which sets targets for climate finance. Our engagement will target banks in Southeast Asia, which have generally been slow to act on climate change – but are highly exposed to the risks, and may be missing opportunities to finance solutions.

“We also plan to initiate a dialogue with the marine transportation sector, which we believe so far has been under-engaged by investors, despite accounting for approximately 2% of global greenhouse gas emissions.

Biodiversity and water

“2018 saw a huge rise in public awareness of the impacts of single-use plastics, and how plastic waste is impacting on ocean biodiversity, undermining the achievement of SDG14 – life below water and, in particular, target SDG14.1⁵. In 2019 we will continue to prioritise

³ <https://sustainabledevelopment.un.org/sdg5> - **SDG 5.5:** Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

⁴ <https://sustainabledevelopment.un.org/sdg13> - **SDG 13:** Take urgent action to combat climate change and its impacts

⁵ <https://sustainabledevelopment.un.org/sdg14> - **SDG 14.1:** By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

engagement with companies in the food and beverage sector, amongst others, on how they are responding, encouraging them to adopt a proactive approach to identifying more sustainable packaging, and to commit to phasing out single-use plastics.

“This focus will sit alongside our ongoing engagement on companies’ water use in line with SDG6⁶, as the impacts of climate change exacerbate existing stresses from population growth and intensive agriculture. Companies can no longer view water as a free, non-exhaustible resource, and companies in water-intensive sectors need to factor in water planning as an integrated part of their business risk analysis.

Antimicrobial resistance

“Antimicrobial resistance (AMR) jeopardises the effective prevention and treatment of infectious diseases and is widely recognised as an increasingly serious threat to global public health. AMR is a natural biological phenomenon resulting from genetic changes - however, the misuse of antibiotics is accelerating this process, and has led to the emergence of infections which do not respond to antimicrobial therapy. Given that AMR is a pressing and complex problem, governments and companies in multiple sectors need to take action.”

“We intend to focus our engagement on pharmaceutical companies, companies involved in meat and/or dairy production, and food retailers. These companies can play a pivotal role in slowing down the development and spread of AMR.”

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About BMO Global Asset Management

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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.

⁶ <https://sustainabledevelopment.un.org/sdg6> – **SDG6**: Ensure availability and sustainable management of water and sanitation for all

BMO Global Asset Management is a signatory of the United Nations-supported Principles for Responsible Investment initiative (UNPRI).

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