

Responsible Investment **2020 Review**

Summary



Advancing the ESG agenda through a global pandemic



There was a 60% fall in international passenger travel in 2020, with air travel falling to 2003 levels. This has had environmental benefits due to a significant reduction in emissions, but there have also been significant economic impacts, with the airline industry alone losing over \$370 billion as a result of the COVID-19 pandemic.¹

¹ ICAO, January 2021.

Engagement in 2020

2020 was a year that none of us could have expected, with the COVID-19 pandemic changing much about the way we live and work. However, our commitment to responsible investment remains as clear as ever.



1,541 engagements



760 companies engaged



343 milestones achieved



Environmental issues

31%

of our total engagement

28%

of the milestones we achieved



Social issues

43%

of our total engagement

17%

of the milestones we achieved



Governance issues

26%

of our total engagement

55%

of the milestones we achieved

Key risks

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

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 companies that may be mentioned.

The information, opinions, estimates or forecasts contained in this document were obtained from sources reasonably believed to be reliable and are subject to change at any time.

Corporate governance highlights



117,820
resolutions voted



23.4%
of all resolutions where we voted against management



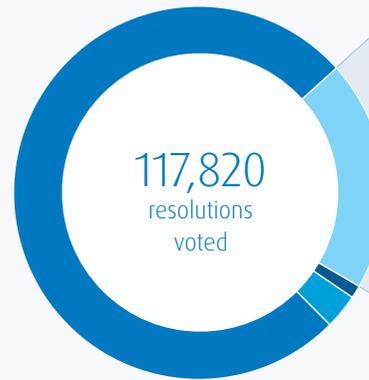
584
companies engaged on governance issues

Meetings with at least one vote against management



- At least one vote against management 69%
- Voted with management 31%

How we voted in 2020



- With management 76%
- Against management 20%
- Abstain 1%
- Withhold 3%

Votes against management by issue



- Directors & Board 56%
- Remuneration 21%
- Capital Related 8%
- Shareholder Proposals 2%
- Other 13%

On **52%**
of all resolutions related to pay we voted against management



On **25%**
of resolutions related to director elections we voted against management



Click the hyperlinks to access our [Corporate Governance Guidelines](#) and [full voting record](#).

Source: BMO Global Asset Management, as at 31 Dec 2020

A snapshot of our 2020 engagement themes



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

Climate change

Climate change was our top priority in 2020. COP26's postponement first appeared a setback, but actually gave more opportunity for us and other investors to build momentum. We continued engaging collaboratively and 1-to-1 throughout the value chain, from extractives companies to financial institutions. We also embedded climate change into our voting policies. 2020 culminated our adoption of a net zero ambition for our investment portfolios¹, as a founder signatory to the [Net Zero Asset Managers Alliance](#).

Social engagement

Social engagement took centre stage in response to the COVID-19 pandemic and its

consequences for workers and corporations. As well as pandemic-centric engagement such as paid sick leave and staff wellbeing, we continued to engage on issues such as modern slavery and diversity.

COVID-19 and the 2020 proxy season

Companies and regulators took unprecedented measures to adapt the content and format shareholder meetings in 2020. We made several observations, including that the global switch to virtual shareholder meetings saw mixed success, while UK companies were most forthcoming on executive pay cuts.

Racial justice

We supported public policy initiatives and investor statements aimed at enhancing increased representation of Black, Indigenous and People of Colour. We engaged companies

on the need for better data on workforce and board diversity beyond gender, pay equity and diversity & inclusion strategies. We also sent joint engagement letters to food companies, asking them to address systemic inequities by developing and marketing healthier products, ensuring affordability and accessibility of nutritious foods, and advocating for public policies that promote health.

Antimicrobial resistance (AMR)

We engaged the major pharmaceutical companies included in the [Access to Medicine Foundation's AMR Benchmark](#). We commended best practices, and highlighted areas of improvement in manufacturing and responsible antimicrobial use. We also initiated dialogue with animal health companies that sell antibiotics.

Sustainable food systems

Focusing on deforestation, we engaged companies involved in the production and sourcing of soy and beef and their impacts on the Amazon and the Cerrado biome in Brazil. We also continued our work as a member of the PRI-led palm oil investor working group, engaging with palm oil producers and banks in Southeast Asia that finance the industry, to drive environmentally sustainable cultivation practices. We also engaged on the production and distribution of sustainable proteins.

Californian wildfires

The increasingly intense wildfires in the western US in recent years have had devastating effects on human life, property and the environment. We engaged Californian utilities on wildfire risk management to better understand their wildfire mitigation plans.

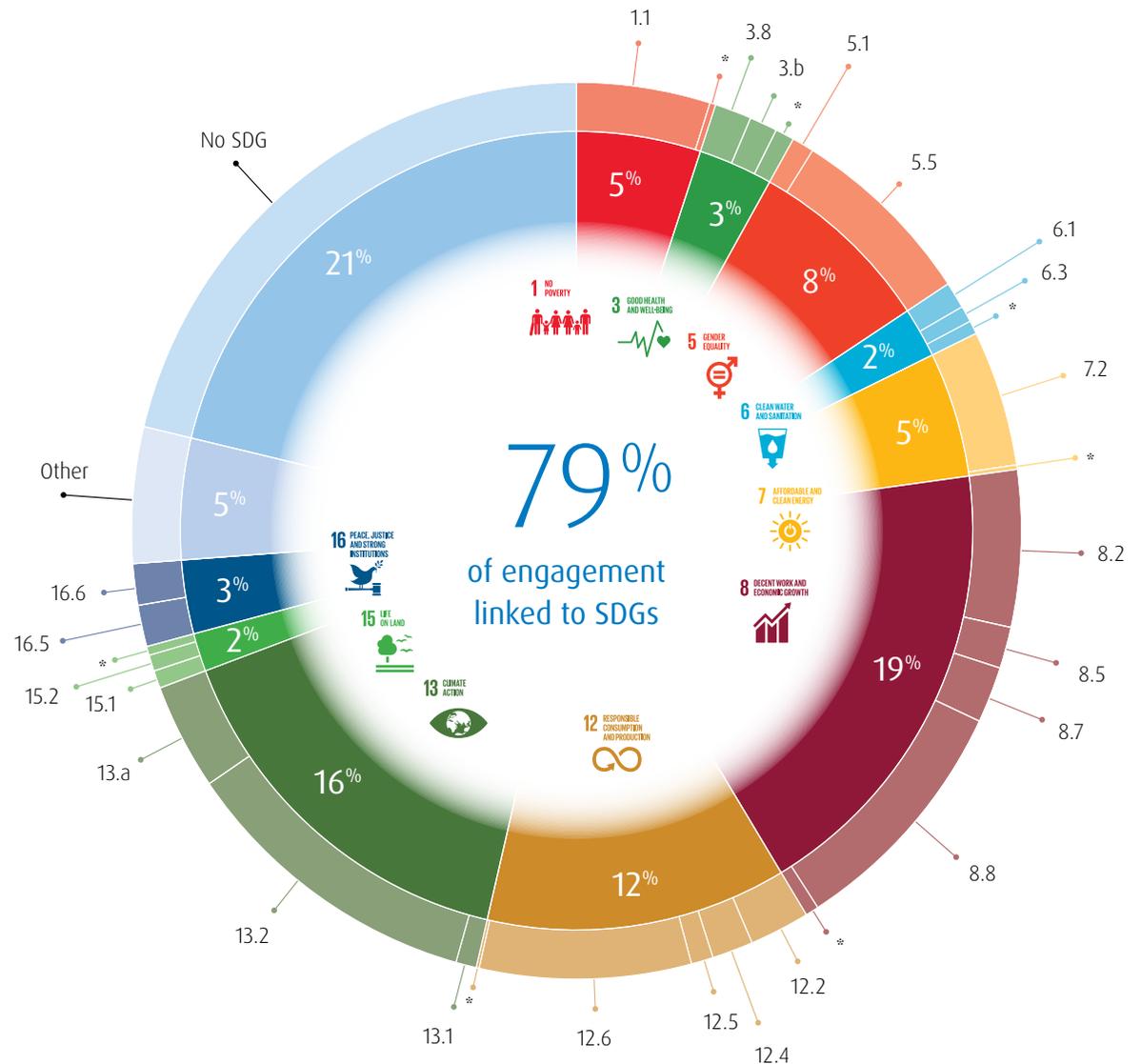
¹ Excludes Pyrford International Limited

How our 2020 engagement linked to the Sustainable Development Goals (SDGs)



The Sustainable Development Goals are more important now than ever. Now is the time to secure the well-being of people, economies, societies and our planet. It is possible. So we must make it happen. Together.

António Guterres, UN Secretary-General, 2021



Source: BMO Global Asset Management, as at 31 Dec 2020

2021 engagement themes

BMO's overriding engagement priority for 2021 will be climate change, focusing across sectors, and working collaboratively where we can.



Coral reefs have the highest level of biodiversity of any ecosystem globally and directly support over 500 million people worldwide.

The race to net zero



In a continuation of its 2020 commitment, BMO GAM remains focused on climate change. This year, we will push companies in high-emissions sectors including the oil & gas, mining and transportation industries for the adoption of targets

consistent with net zero emissions globally by 2050, and for robust strategies to implement these. We will continue our work with financial institutions, pressing for climate change to be fully integrated into lending and investment policies, and for the adoption of net zero aligned strategies – as BMO GAM itself has adopted as a founding member of the Net Zero Asset Managers Alliance. We will also engage with companies in the food industry to drive climate-smart agricultural practices that curb carbon emissions while helping build supply chain resilience, and with the real estate industry to develop quality, accessible and energy-efficient buildings.

Addressing biodiversity loss



The current scale of biodiversity loss globally poses an existential threat to the ecosystems that support global economic and social wellbeing. In 2021, BMO GAM will seek to drive positive biodiversity outcomes, through

a continued and expanded engagement programme with companies to curb deforestation, manage soil and freshwater resources and address ocean pollution. Engagement will focus on the most critical sectors to reducing negative biodiversity outcomes, including the food and beverage, extractives and financial sectors. We will also seek to contribute to the development and adoption of metrics and indicators to help companies measure and assess their impacts and dependencies on biodiversity.

Supporting social justice and reducing inequality



BMO GAM has a long-standing and successful history of engaging on issues related to inequality, from living wage and gender diversity to access to finance, healthcare and nutrition. This year, we

will continue to engage on these topics, whilst developing our efforts to encourage companies to improve management of racial and ethnic diversity, contribute to a just transition in response to climate change, and tackle emerging issues in human rights in industries like IT, power generation and metals & mining. We will seek to drive enhanced human rights due diligence practices across industries and will particularly focus on issues inherent in the energy transition, including longstanding challenges in the fossil fuel extractives chain and new issues arising in the renewable energy sector.



Pioneers in responsible investment

At BMO GAM, responsible investing is at our core – from the launch of Europe’s first ethically screened fund in 1984 and our position as a founding signatory of the UN PRI, to the comprehensive suite of ESG specialist funds and services available today.

A leading voice on a vital conversation

35+ years
of investing responsibly

20+ years
of driving positive change through ESG engagement

21 sustainability experts
within the Responsible Investment team

275+ combined years of experience

A+ Rated

for strategy and governance, and ESG incorporation and active ownership in listed equities by UN Principles for Responsible Investment

Co-heads



Alice Evans
Managing Director, Co-Head of Responsible Investment



Claudia Wearmouth
Managing Director, Co-Head of Responsible Investment

Recent awards



Past performance is not a guide to future performance.
All information as at 31 Dec 2020

Learn more about responsible investing at BMO Global Asset Management

Explore our website to discover how responsible investing sits at the heart of our business. Access our full 2020 report, thought leadership and more.

Responsible investing – a glossary of terms

Its wide-ranging nature means that responsible investment involves a host of associated language and jargon. Click the link to explore the most commonly used terms.



Our thought leadership is a window on our work and a voice to help frame the investor response to critical ESG issues.

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

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